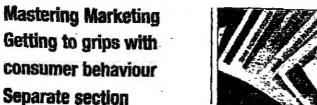
FINANCIAL TIMES

MONDAY SEPTEMBER 21 1998

World Business Newspaper http://www.FT.com





Single currency EU's central bankers shun global leadership



Marcus Wallenberg No change in direction for Sweden's business dynasty Interview, Page 10

European parliament The controversy over MEPs' travel costs Page 14

GET RICH SLOW A 10 week guide

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WORLD NEWS

Primakov calls for more foreign help to support reforms

Yevgeny Primakov, Russia's prime minister, said his country had sufficient reserves to avoid defaulting on its debts, but appealed for additional financial support to underpin future reforms. Page 18; Ukraine links,

Swedes face weaker government Sweden was last night braced for a weakened minority government following the worst election performance in more than 70 years by the ruling Social Democratic party. Page 18

Rockets hit Taliban-held Kabul As the number of Iranian troops on the Afghan border rose to 200,000, anti-Taliban forces fired rockets into the capital Kabul, diling 16 people on the eve of UN talks to resolve the militia's conflict with Tehran.

Ambrosiano founder bestified Pope John Paul beatified 19th century Catholic entrepreneur Giuseppa Tovini who founded the Barico Ambrosiano.

Kosovans claim heavy casualties Ethnic Albanian guerrillas claimed to have inflicted scores of Serbian police casualties in fighting in northern Kosovo but Western sources suspected the high death toll was exaggerated.

trag blames US for halting supp Iraq condemned the US for inspecting Iraqi vessels in the Gulf and said this was delaying the delivery of much-needed food and medical supplies.

European transport commissioner Neil Kinnock warned Italy any to a new Milan airport under a plan vetoed by the EU Commission lest week was illegal.

Chechnya aid workers freed Two British aid workers abducted in the breakaway Russian region of Chechnya were freed after more than a year in captivity.

Madrid in showdown on abortion Spain's centre-right government faces a test of its parliamentary strength this week when it tries to head off an opposition bill to relax the abortion law. Page 2

Rome faces clash with Marxisis The Italian government is bracing itself for a new clash with its far left Marxist allies this week when It finalises the country's budget for 1999. Page 2

German campaign into last round With Germany's leading politicians campaigning furiously for next Sunday's federal elections. the pap between the main parties has narrowed to the point where either could win. Page 2

Annan to unveil global politics plan UN secretary-general Kofi Annan will today seek to capture the imagination of world leaders assembled for the opening of the 53rd general assembly with a message of global politics for the new millennium. Page 6

Duchess of York's mother killed Susan Barrantes, the mother of the Duchess of York, was killed in a head-on collision on an Argentine provincial highway on Saturday night.

BUSINESS NEWS

Splits threaten to derail Japan's plan for banking reforms

Cracks have started to appear in the cross-party agreement on banking reform struck in Japan last week, with government and opposition divided about the future of the ailing Long-Term Credit Bank, Page 19

Nestit, the world's biggest consumer food company, has appointed Rainer Gut, Switzerland's best-known international banker, as non-executive chairman. Mr Gut, who has chaired Credit Suisse Group for 12 years takes over in 2000. Page 19

CLT-Uta, Europe's biggest broadcasting group, expects to break even in 1998 after a first half in which net operating profits doubled to \$86m on sales up 7.4 per cent to \$1.6bn. Page 23

Eureko, a pan-European alliance linking six insurance groups, will announce it is pulling out of North America with the sale of its Canadian and US businesses for C\$300m (US\$200m), Page 19

Seagram, Canadian entertainment group, hopes to get European Commission clearance for its \$10.4bn bid for Dutch company PolyGram. Page 23

UAL, parent of United Airlines, has lost heir apparent John Edwardson, who quit after two unions declined to back him as the next chairman. Page 19

Yahagi, the Japanese metals group that expanded into software and temporary staffing, has filed for bankruptcy with esti-mated fieblitiss of Y3.5bn (\$26m). Page 24

Cemex, Mexican cement bid for a stake in Indonesia's partially-privatised cement company Semen Gresik. Page 23

Full Electric of Japan has sharply downgraded its sales and profit forecast for the year to next April, Page 24

Colombia has cut the amount of money companies must deposit with the central bank on loans from abroad, as part of efforts to take pressure off interest and exchange rates. Page 6

Hongkong Telecom workers plan an overtime ban following a weekend of street protests and petitions against proposals for a 10 per cent pay cut. Page 4

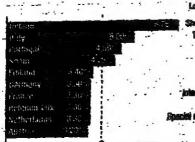
Gold Fields of South Africa said talks on the sale of its Northern Platinum mine to Anglo American Platinum Corporation had ended without a deal. Page 23

Talwan's legislature is to consider a plan to merge the island's three biggest commercial banks, Chang Hwa Commercial Bank, First Commercial Bank and Hua Nan Commercial Bank. Page 4

China plans to build five large hydro-electric power stations costing \$7.23bn by 2010, creating significant demand for financing and equipment. Page 6

Global investor Funk in large tracts of the fixed income markets

EURO INTEREST RATE CONVERGENCE



This citart above the official interest rates of the 11 countries that will participate in Europe's forthcoming single currency. Analysis surveyed by Standard & Poor's MMS expect the short -term interest rates of the 11 countries to converge at a 9,75% initial rate for the European Central Senk at the beginning of 1999

Euro prices, Page 27

C THE FINANCIAL TIMES LIMITED 1998 No.33,709 London - Laeds - Paris - Frankfurt - Stockholm - Milan - Madrid - New York



full overhaul of IMF and

Blair to urge

UK prime minister says financial turmoil highlights failings of 1940s institutions

World Bank

By Robert Peston, political editor, in London and Stophen Fider In

Tony Blair will today call for a comprehensive overhaul of the International Monetary Fund and World Bank, saying they have failed to provide economic stabil-ity in a world of massive crossborder capital flows.

The UK prime minister, currently chairman of the G7 group of seven leading industrial countries, will argue that the global economic and financial turmoil which has spread from the Far East to Russia and South Amer-ica - highlights the shortcomings of the two institutions.

"The existing system has not served us terribly well," said his official spokesman, who was briefing on a speech to be given today by Mr Blair at the New York Stock Exchange. "The Bretton Woods institutions are 54 years old and were set up when international capital flows were far smaller."

The UK's agenda for change, which will be fleshed out later this week when UK Treasury officials meet their US counterparts in Washington, includes the creation of a code of fiscal and inancial conduct for all states seeking protection from the IMF's safety net.

The UK also wants a partial merger of the IMF and World Bank, so there is a single institution charged with supervising and regulating the world economic system. gest there may be a need for big

those controlled by George Soros, to publish details of their exposures to individual economies. Ministers are concerned that the exchange rate of the rouble fell sharply after a recent statement by Mr Soroswho was under

no obligation to disclose whether he was likely to benefit from the devaluation that followed. But Mr Blair's spokesman said:

White House officials yesterday

tried to bead off potential dam-

age from today's broadcast of

President Bill Clinton's grand

jury testimony in the Monica

Lewinsky case by saying the

decision to release the material

was a partisan attempt to humili-

"People may question the judg-ment of the people who decided to put that information ... before

the American people and they

may actually end up questioning

the motivation, whether this was

done for partisan purposes and

ultimately they may question the fairness of the process that's

going on on Capital Hill," said

John Podesta, White House dep-

The decision to go on the offensive against Republicans, who

voted to release the videotape

and 2,800 pages of documents

relating to the impeachment case

brought by Kenneth Starr, the

independent prosecutor, reflected

nervousness about how the pub-

lic will react to today's events

Some officials fear the specta-

cle of a president questioned by

prosecutors for more than four hours over whether he lied about

a sexual relationship with Ms

Lewinsky might damage Mr Clin-

ton's standing in the eyes of the

American public. While Mr Clin-

ate the president.

uty chief of staff.

White House hits

release jury tapes

at 'partisan vote' to

"The solution to the world's financial problems does not lie in misguided attempts to control international markets or trade."

The proposed code would require governments to publish their countries' net foreign currency exposure on a monthly basis and include a breakdown between short-term and long-term debt.

Common accounting standards would be imposed for the public and financial sectors, and there would be a requirement for sacurities and banking markets to adhere to common prudential There is a need for greater

openness and transparency in international dealings," said Mr Blair's spokesman. "We also want better resources and improved accountability for international financial institu-

Mr Blair's call for reform comes as the IMF faces harsh criticism over its handling of the Asian and Russian financial crises. The issue will dominate its annual meeting in Washington at the end of the month.

Last week, the US House of Representatives rejected a request from the Clinton administration to vote for an \$18bn US contribution to a proposed \$90bn capital increase for the The increase may still emerge

out of conference deliberations between the senate, which has voted in favour of the increase. and the House. But until it does, financial crisis threatening Latin private-sector funds, such as America is open to question.

ton called for a meeting soon of finance ministers from leading industrialised and developing nations to discuss what is called the "new financial architecture", with a view to preparing a report

ing in an aggressive and some

times evasive manner in the

tape, he is also said by those who

have seen it to come across as

ister, is expected to share a plat-

form with Mr Clinton today at

New York University, but will

not attempt to defend his per-

sonal conduct. Downing Street

said Mr Clinton was a "good

friend and ally" to Britain, but

that the Starr report was a mat-

A leading Democratic senator

called on Mr Clinton to go

sentatives' judiciary committee

to put his case. "I believe the president would be well-served to

explain exactly what he did, exactly what he was thinking, do

it to the judiciary committee, and

let's vote and let's move on one

way or the other," said John

Kerry of Massachusetts. "The

nation is being ill-served by this

The House judiciary committee

is considering whether to proceed

with impeachment of Mr Clinton

over allegations of perjury and

obstruction of justice in his

attempts to keep his affair with

political water torture."

Ms Lewinsky secret,

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directly to the House of Repre

Tony Blair, the UK prime min-

sympathetic at times.

ter for Congress.

Editorial Comment, Page 17 Turnoil in Paris, Page 17

Malaysia's ex-deputy PM arrested after street protest

Anwar faces charges of illegal assembly and vandalism

in Kuala Lumpur

Malaysian police Armed yesterday arrested Anwar Ibrahim, the sacked deputy prime minister, for alleged involvement in several criminal offences.

Kuala Lumpur police chief Kamarudin Ali said Mr Anwar would be brought to court today on a number of charges, including breach of peace, illegal assembly and vandalism after up to 60,000 supporters took to the streets to call for reform of the

The detention of Mr Anwar, the one-time heir apparent of Mahathir Mohamad, the prime minister, marks the end of a stand-off that began on September 2 Anwar and orchestrated his expulsion from the ruling UMNO

Mr Anwar on allegations of a cat- first going to the National alogue of offences, ranging from sodomy to treason. Mr Anwar innocence. He then rallied a Public backlash, Page 4

denies all of them as part of a crowd estimated at between high-level political conspiracy targeting him for becoming Dr Mahathir's rival.

Britain's Queen Elizabeth, in Malaysia to close the Common-wealth Games in the capital, was given extra guards and police protection after protesters tried to storm Dr Mahathir's residence Dr Mahathir had appeared to

be putting off the arrest of Mr Anwar until the end of the Commonwealth Games

But on Saturday, Mr Anwar's adopted brother and his former speechwriter were both sentenced to six months in prison by guilty to committing acts of gross indecency by allowing themwhen Dr Mahathir fired Mr selves to be sodomised by Mr Anwar.

Mr Anwar yesterday adopted his highest-profile defence and Police have been investigating took to the streets of the capital, Mosque, where he swore his

40,000 and 60,000 at Independence Square in the centre of the As the crowd broke up, some

went to Dr Mahathir's house, where the authorities fired tear gas and water cannons to disperse them before blocking off the road. Others went to UMNO party headquarters, where police said they damaged the building. Thousands went to Mr Anwar's house calling "Long Live Anwar!" and "God is Great!" and punching their fists in the air. Riot police quickly took up pos tions before the arrest was made.

Police also arrested an UMNO politician in connection with the disturbances. They said nobody was injured. Thousands of supporters remained with Mr Anwar's wife at her home. "I'm glad my husband was arrested as a hero," said Dr Wan Azizah. "I'm convinced my husband is innocent."

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GERMAN ELECTIONS OPINION POLLS INDICATE MORE UNCERTAINTY ABOUT THE RESULT, WITH ALL STILL TO PLAY FOR IN THE FINAL WEEK

Campaign tempo rises as Kohl narrows gap

With Germany's leading politicians campaigning furiously for next Sunday's federal elections, the gap between the main parties bas narrowed to such a degree that the usual statistical uncertainties of opinion surveys mean either could

Three polling organisations - Forschungsgruppe Wahlen (FGW), Emnid and Infratest/Dimap - have published projections for the September 27 elections showing that the lead of the opposition Social Democratic party (SPD) has shrunk to between 2 per cent and 2.5 per cent, within the 3 percentage point margin of error for most polls.

Last week's Bayarian election victory for the Christian Social Union, sister party of Chancellor Helmut Kohl's Christian Democratic Union, boosted support for the CDU: CSU, according to the polling companies that con-

chancellor, remained more popular than Mr Kohl, his personal support slipped, as did that of the SPD. FGW, putting SPD support at 39.5 per cent, was the first polling group to project SPD support below 40 per cent in the federal elections.

However, the Bavarian of voter intentions. FGW

poll and last week's contro- alone publishes the unadversy over whether the CDU/ justed data on which its Coalition outcome hinges on fate of

free-market FDP and ex-communists

CSU plan to raise valueadded tax have increased uncertainty among voters. FGW reported that only 71 per cent of voters were sure which party they would support; 13 per cent thought they could change their the SPD dropped four points mind and 16 per cent were

found that 28 per cent had

vet to decide their party

preference or whether to

vote - an increase of 14 per-

In its survey of 1,290 voters between September 14 and 17. FGW found CDU/

election outcome to be open,

although 43 per cent gave

the SPD the best chance of

winning, against 34 per cent

tipping a CDU/CSU victory.

nies adjust raw survey data

when compiling their polls

All German polling compa-

CDU support jumped four percentage points to an unadjusted 38 per cent while to 41 per cent. The environundecided. Infratest-Dimap mental Greens held continues to teeter on the unchanged at 8 per cent. The market-oriented Free Democrat party (FDP) dropped one percentage point to 5 per

FGW they considered the Socialism (PDS) also lost one point to 3 per cent. Support for other parties rose 2 points to 6 per cent, with the far-right Republicans up one point to 2 per cent. The performance of the PDS and FDP will be crucial

in determining the coalition

to emerge after the election.

whether the PDS can win

the 5 per cent of votes normally needed to enter the

Bundestag, the lower house

of parliament. But if it

secures three directly elected

seats in eastern Germany it

would continue to send MPs

tainly deprive a putative

coalition of SPD and Greens

of a majority and force the

creation of a "grand coali-

tion" of SPD and CDU/CSU.

ner in Mr Kohl's coalition,

edge of exclusion from the

Bundestag, which would

mean the end of any hope of

a return of the present gov-

The FDP, the junior part-

That would almost cer-

to Bonn.

It remains unclear

es fun at Kohl in Frankfurt on Saturday

Opinion polls in Germany's general election campaign vering the question: "How would you vote if the election were held next Sunday? published in the week ending September 19. (Change from pravious week)

\$.	FGW	Emaid	inimatest/ Dicrept.	Fores	Allensbech***
COUNCSU	37.5 (+0.5)	39 (+1)	38 (+1)	38 (+1)	35.5 (-0.1)
SPD	39.5 (-1.5)	41 (-)	40.5 (-1.5)	42 (-1)	41.4 (+0.6)
Green	6(-)	6 (+)	8.5 (-0.5)	7 (+1)	7.0 (-0.5)
FDP .	5.5 (-0.5)	. 5()	5.5 (+0.5)	4 (-1)	5.5 (-Q.S)
PDS	4.5 (+0.5)	5 (+)	4.5 (+0.5)	4(+)	5.0 (+0.5)
Far Right	1.2	3 (-2)	4 (-)	4(-)	1,2.
Other	7" (+1)	1 (+1)	1(+)	1 (-1)	, 4.51

Prodi braced for clash with far-left allies

By James Biltz in Rome

The Italian government is braced for a new clash with its far-left Marxist allies this week when it finalises the country's budget for 1999. Romano Prodi, prime min-

ister, believes he should be able to get broad support from his coalition partners for his latest budget, which will contain the smallest fiscal squeeze Italy has seen in many years. However, his administration relies on the Reconstructed Communists (RC) for a majority in the Italian chamber of deputies. Lost year, RC temporarily

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brought down the government during the budget debate.

After a string of annual budgets that have raised taxes in order to get Italy into the single currency, this year's proposals will contain almost no tax-raising measures and a fair number of concessions.

However, Fausto Bertinotti, leader of the RC, which is split on whether or not to attempt to bring down the government this autumn. yesterday continued to take

breakdown will be inevitable," he told La Repubblica newspaper.

Fears that the annual budget debate in parliament could once again be the focus of conflict has led ministers to say the document will be finalised at a cabinet meeting on Friday.

The document to be approved by cabinet is to contain L13,500bn (\$8.1bn) of fiscal tightening, which the government deems sufficient to reduce the deficit to a targeted 2.4 per cent of gross "If what the government domestic product next year.

On the right track

Despite the turbulence in day is its final offer, then a financial markets, the Treasury is confident that public finances are in good order. One reason for that confidence is that the flight into government bonds in recent weeks has reduced the yield on Italian Treasury bills. bringing down the cost of servicing Italy's large debt.

> Instead, the task facing Mr Prodi this year is to convince Italians that the budget can stimulate economic growth. The Treasury forecast in

April that the Italian economy would grow by 2.5 per

recently admitted that, in returned to the public. the wake of financial market turmoil, the growth figure would be around 2.0 per cent, one of the most sluggish rates in Europe.

Among the measures expected to be included in the budget are tax breaks for medium-sized companies that take on new staff in the south of Italy, where unemployment is double the national average of 12.5 per cent. There will also be tax breaks for first time homeowners, while 60 per cent of the Eurotax - levied as a one-off tax to get Italy cent this year. Mr Prodi into the euro - will be

The government has come under fierce criticism. .bow ever, for not trying to reduce the cost of its state pension scheme, the biggest burden on the spending side and the only vehicle for significant

reductions in the tax burden Mario Monti, one of Italy's two European Union commissioners, said recently that "without pensions reform, fiscal pressure would actually increase". In his view, the growing number of elderly people in Italy is set competitive unless reform

British aid workers freed in Chechnya

abducted in the breakaway Russian region of Chechnya were freed yesterday after more than a year in captiv-

Camilla Carr and Jon Camilla Carr and Jon "We spent one month in James, who appeared in 40°C." good health after their 15month ordeal, made a short stop in Moscow on their way

In July 1997 half a dozen people in masks abducted Ms Carr and Mr James in the Chechen capital of Grozny, where they worked for a Russian organisation called the Centre for Peace making and Community Development, helping children caught up in the 1994-96 war in the mountainous

southern region. Ms Carr and Mr Jones. who were dressed in worn clothes and carried their belongings in plastic bags. said they moved at least 14 times during more than a

year of captivity. "During the first seven are currently held hostage months we had very little by criminal gangs in Chechfood," Ms Carr told a news conference at Moscow's by the war.

Two British aid workers Sheremetyevo airport. "We

and little light and someity, Reuters reports from times the temperature was Moscow.

pretty awful." she added.

Sir Andrew Wood, the British ambassador who welcomed Ms Carr and Mr Jones in Sheremetyevo, said Boris Berezovsky, a Russian businessman, played a key role in winning the release of the aid workers.

Mr Berezovsky arrived in Moscow on the same aircraft as the two freed captives. Sir Andrew said Ms Carr and Mr Jones were due to take a private aircraft later yesterday to Brize Norton, a British Royal Air Force base. He said Britain did not pay a ransom for Ms Carr and Mr

Hundreds of hostages including several foreigners, are currently held hostage nya. which was devastated

Jones, but did not elaborate

NEWS DIGEST

MILAN AIRLINES DISPUTE

Italy is warned not to use pressure over airport

Neil Kinnocks Europeistransport commissioner, warned Italy yesterday deal any afternorm force airlines to move to an expanded Milan airport under a controversial plan vetoed by the Commission tast week would be illegal.

"The Commission has taken its decision and I expect the Italian authorities to abide by it." Mr Kinnock wrote in

the Comera della Sera dally.

"They know that any measure to expel airlines from Linate (the existing Milan airport) would be illegal," he added. State-owned Italian camer Alitalia complained on Saturday that rivals were still offering flights using Linate in defiance of the government plan to switch all traffic but the Milan-Rome route to the new Malpensa airport from October 25. Linate is 15 minutes from the city centre while Malpensa is more than an hour's trek along a busy com-

Alitalia has nevertheless written to the EU competition department, the Italian anti-trust watchdog and the transport ministry to demand immediate action or sanctions on airlines who are continuing to sell Linate flights past October 25. Nine airlines, including British Airways, Germany's Lufthansa and Air France had complained that the sudden shift to Malpensa gave Alitalia an unfair advantage. They have vowed to stay at Linate. Reuters, Rome

ALBANIAN UNREST

Protest over Hajdari killing

About 3,000 opposition Democratic party supporters marched yesterday to a cemetery cutside the Albanian capital to protest over the killing last week of a leading party figure, Azem Hajdan, and his bodyguard.

The peaceful rally marked the sixth consecutive day of protests called by opposition leader and former president Sali Berisha, who blames Socialist prime minister Fatos

Tirana saw its worst violence in 18 months last week following the killings. Mr Nano's Socialist-led government has accused Mr Berisha of attempting a coup during the violence. On Friday, parliament lifted Mr Berisha's immunity from prosecution to open the way for his arrest.

The supporters, waving flowers and pictures of Hajdari, walked from Tirana's main Skanderbeg Square towards the cemetery on the fringes of the capital. They shouted

BERLIN AIRPORT AUTHORITY

Hochtief consortium in bid

A consortium lead by Hochtlef, the German construction giant, and the Swiss-Swedish engineering group ABB, has emerged as the favoured candidate to take over the Berlin Brandenburg airport authority (BBF).

The consortium, which also includes the Frankfurt airport authority and Bankgesellschaft Berlin, a big local bank, is believed to have bid at least DM650m (\$383m) for BBF, which is owned by the city of Berlin, the state of Brandenburg and the federal government.

The owners of BBF said they would now enter into detailed negotiations with the Hochtief consortium with the aim of signing a joint letter of intent within the next few

The final stage of the sale pitched the Hochtief consortium against a group made up of IVG, a German industrial holding company, the Paris and Vienna airport authorities. Commerzbank of Germany and the French bank Caisse des Depot. Frederick Stüdemann, Berlin

AZERBAIJAN

Demands for Aliyev to quit

About 10,000 opponents of Haydar Aliyev, the Azeri president, marched through the streets of the capital Baku yesterday, demanding he release detained political detractors and resign from office.

Hundreds of not troops carrying plastic shields sur-rounded a small square where opposition political parties gathered, and lined every step of the route of the protest-

The protest was called by about a dozen political parties which are boycotting the October 11 presidential election. They say Mr Aliyev's control over the country's Central Elections Commission will allow him to commit fraud, if necessary, to stay in power. Reuters, Baku

VATICAN

Bank founder beatified

Pope John Paul yesterday beatified a 19th century Catholic entrepreneur and politician who founded the Banco Ambrosiano, which 86 years later would thrust the Vatican into its worst financial scandal.

Giuseppe Tovini, who died in 1897 at the age of 57, founded two banks closely linked to the Church. One was the Banca San Paolo in Brescia, founded in 1888, and the other was the Banco Ambrosiano, founded in Milan in

By 1982, the Ambrosiano had grown to become Italy's largest private bank. When it collapsed under the weight of \$1.3bn of bad debt, creditors accused the Vatican Bank of being responsible for the bankruptcy. Reuters, Brescia

Abortion vote set to test Aznar By David White In Madrid Spain's Roman Catholic Church hierarchy has rejected the bill as "radically immoral". In a pamphlet entitle defeated two years ago in one of the first parliamentation one of the first parliamentary strength immoral". In a pamphlet entitled "A yet wider licence to kill children", the Episconal Conference claimed the socialist bill company is Pearson plc. registered at the registered at the respective provisions further were defeated two years ago in one of the first parliamentary strength immoral". In a pamphlet entitled "A yet wider licence to kill children", the Episconal Conference claimed the respective provisions further were defeated two years ago in one of the first parliamentary strength immoral". In a pamphlet entitled "A yet wider licence to kill children", the Episconal Conference claimed the respective provisions further were defeated two years ago in one of the first parliamentary strength in conference claimed two years ago in one of the first parliamentary strength in conference claimed two years ago in one of the first parliamentary strength in conference claimed two years ago in one of the first parliamentary strength in conference claimed two years ago in one of the first parliamentary strength in conference claimed two years ago in one of the first parliamentary strength in conference claimed two years ago in one of the fi

relax the country's abortion

The abortion debate comes awkwardly at a time when Jose María Aznar, the prime minister, is seeking to revamp his Popular party's conservative image and project it as a "centre reformist" movement

The vote will be a cliffhanger following three consecutive tied votes on a similar The law was amended after bill in February. The out- an appeal by conservatives come will depend on the to the constitutional court. Popular party's regionalist allies, which hold the balance of power in parliament. Being partly of Christian ger to the mother's physical Democrat orientation, these or mental health. The last parties are split on the issue provision covers almost 98 and have allowed their mem- per cent of abortions per- is not necessary to widen it.

pal Conference claimed the proposed changes would violate Spain's constitution.

"A Catholic politician could never vote for this law," said its chairman, Elias Yanes. The Church flercely

opposed Spain's original abortion legislation, which came into force under a Socialist government in 1985.

Spain currently permits abortion on grounds of rape, foetal malformation and dan-

The new Socialist bill

would add a clause legalising abortion in the first 12 weeks of pregnancy when the mother, in her own judgment, faces a risk of serious "personal, family or social conflict" by continuing with the pregnancy. The Communist-led United Left and its New Left offshoot have also tabled bills to extend the legal period - to 16 weeks in the Communist proposal and explicitly bar medical centres from assuming the right to authorise or deny an

abortion. The Popular party has promised not to go back on the original law but says it

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"The question now is how much new money will be Hochtief consortium in E made available and who will decide how much goes to whom," says the director of

> tor, fears that the new and as vet unformulated policy will simply result in higher

come their way.

inflation and pay-offs among Among those looking for-

re-invigoration is a declared

priority of the new Soviet

heartland of Russia - in the

string of towns and cities

from Nizhny-Novgorod in

the north through Saratov

and Volgograd to Astrakhan.

where the Volga river flows

into the Caspian Sea - the

prospect of looser monetary

policies and a government

more sympathetic to indus-

In Saratov, a lively

regional capital, no one from

the populist and reformist

governor, Dimitri Ayatskov,

to the general director of the

virtually bankrupt trolley

bus plant expects or believes

But Lenin's words about the

occasional need "to take one

step backwards in order to

move two steps forward" are

old contacts to make sure

that if fresh money is made

available, some at least will

a foreign-owned plant who,

on many lips.

government

The 1,000km flight east ward to the changes are the from Moscow to the managers of former military industrial cities of the plants humiliated by what Volga region takes visitors they see as the "primitivisathrough Alice's looking glass tion" of high-tech sectors of

Stricken industry shows a flicker of life

in Russia's topsy-turvy economic world

into the topsy-turvy wonderthe economy. land of the post-Soviet "real The loss-making Saratov economy" - a surreal place aircraft factory, which used that has survived the last to produce jump-jet fighters decade by barter and non- for aircraft carriers as well payment of taxes, suppliers as the triple-engined Yak-42 passenger aircraft, is a typi-This is the economy whose cal example.

Since 1992 when "market reformers" led by Yegor Gaidar and Anatoly Chubais cut Here in the industrial the military budget by 80 per cent overnight, military plants either have closed or have been stripped down.

Condemned to struggle to survive like the rest of the orphaned Soviet economy, former military plant directors have also reverted to the barter economy which has proved practically impervious to the collapse of try inspires hope rather than fear that Russia is about to the Moscow-based banking take a step backwards to central control and economic

This is an economic system which makes perfect sense to those brought up within the closed logic of the Soviet command economy but has little in common with a market economy as understood in the rest of the

that Russia can or will return to the Soviet past. Alexander Yermishin, the gravel-voiced director of the Saratov aircraft plant, would develop a civilian vertical take-off aircraft if only he had the roubles. A scale model, looking like

The directors of the moria flying saucer, gathers dust bund industrial giants of the in one of the factories. It sits Soviet era are busy phoning alongside a motley collection of work in progress - including three half finished training aircraft of a new design and big red combine barvesters being assembled for the US agriculture equipment

In the next hall of the vast employ 8,500 skilled workers, like many in the private secfive triple-engined Yak-42D are being slowly put Russian airlines that pay

But with Asian and Latin American economies now in ing plant was a near-monop-



KAZAKHSTAN

crisis and the rouble devalued. Mr Yermishin is optimistic that the plant will now be able to win new export orders for an aircraft

that first flew in 1974. It has been re-engined and modernised and is on offer at \$25m compared with the \$38m which the director believes is the price of an equivalent Boeing 787 or Airbus 319.

The problem is that at this price range the Yak faces tough competition from rival Russian manufacturers. especially Tupolev, which is building a new model of comparable size.

Restructuring has hardly started in the Russian aerospace sector. As European and US com-

petitors merge, the Russian aircraft industry struggles to maintain five rival design and construction companies - Ilyushin, Tupolev, Mig. Sukhoi and Yak. But it is at the Trolza trol-

ley bus factory, across the complex, which used to two-mile-wide Volga river in Saratov's sister-town of Engels, that the problems and survival strategies of together for cash-strapped the post-Soviet "real economy" can be seen at their

In Soviet days the sprawl-



replace the 350 models it bought over a decade ago. Cash-strapped Belgrade is also hoping to "buy" 40 In practice payment will come in the form of red pep-pers and whatever else the

Athens now needs to

struggling Serbian economy can come up with in barter over the next 10 years. But the plant's main hope for salvation lies in its ability to raise the \$6m it needs as working capital to start work on a \$25m contract to

supply 230 trolley buses to several Russian cities financed by the World Bank. For the last decade Trolza. a virtual industrial museum of lovingly cared-for East German presses and solid Soviet lathes a kilometre

long, has just ticked over. producing around 120 vehicles a year in return for potatoes, cables and whatever could in turn be bartered for goods needed to "pay" workers, who are mainly at home. It is harvest time now and workers are being paid with potatoes.

"In the old days the ministry for public transport in Moscow ordered trollers from us and sent them to cities across the Union," said Nikola Polyulak, the plant's director and also the biggest shareholder.

"But when Gosplan and last week. the whole planning system disappeared, local governments were made responsible and none of them has any money. How could they. when 80 per cent of passengers have permits to travel free and the factories that needed public transport to get workers to work are



Madrid determined to keep pressure on Eta

By David White in Madrid

The Spanish government has made clear it intends to keep up police pressure against the Basque separatist group Eta and wants to avoid being hurried into making a concrete gesture in response to the Eta ceasefire announced

Jaime Mayor Oreja, interior minister, said the state could not declare a truce in return for the initiative and could. Eta still had to prove its goodwill both before and after the Basque country's October 25 elections, he said. Judicial actions against Eta's funding network would

The daily El Mundo said that, despite official scepticism, Eta's leadership planned to keep the ceasefire intact while seeking a politi-

cal solution to the 30-year

conflict that has claimed

meanwhile continue.

more than 800 lives.

El Mundo's source, whose comments the paper said reflected the views of Eta's hierarchy, was quoted as saying: "When you declare an indefinite, unilateral would arrest Eta units if it truce without conditions. you can't back out of it the

> following month." José Maria Aznar, prime minister, returning a day early from a Latin American trip, discussed the Basque

with King Juan Carlos and senior ministers, ahead of inter-party consultations due to start this week. A spokesman for the royal family said the king, who rarely meddles in politics, had been in permanent contact with government officials since Eta announced its ceasefire.

A snap poll in the daily El Pais showed Basque residents much less sceptical about the ceasefire than people in the rest of Spain, 57 per cent of whom thought it was a "trap". By contrast, 59 per cent of Basques interviewed believed it was sincere and 73 per cent greeted the news with optimism.

Moscow and Kiev forge new links

By Charles Clover in Klev

Russia and Ukraine have agreed to set up a joint anticrisis committee and pledged to re-develop lost trade links. in a sign that the economic crisis buffeting the two countries is bringing them closer together.

"We are guilty of the fact that when this started, we should have gathered together. And because of this, so far, each has been dying separately," said Leonid Kuchma, Ukraine's president, after meeting Boris Yeltsin, president of Russia, at the weekend. "We have agreed to be together, one for the other."

Last week, Mr Kuchma announced that the "best way out" of the region's economic crisis would be for Ukraine to enter a free trade zone with Russia and other countries of the Commonvealth of Independent States. He implied that any such free trade zone would replace a customs union currently in place between Belarus, Russia, Kazakhstan and

Ukraine has spent much of its short history as an independent state since 1991 trying to distance itself from 350 years of imperial rule by Russia. But over the past year and a half, Kiev has showed willingness to deepen co-operation with its

In May 1997, the two countries signed a treaty of friendship, while in February, they signed an agree-ment designed to more than double trade over the next ten years. But with both facing financial meltdown, this growing interdependence appears to be taking on a new character.

Trade between Ukraine and Russia totalled some \$17bn last year, 40 per cent of Ukraine's total, and 15 per cent of Russia's. Ukraine imports over half of its primary energy from Russia mainly natural gas and oil products, much in demand as winter approaches.

Bank founder beating





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Doubts over Jakarta bid to recoup \$12.5bn

The Indonesian government hopes to recover some of the \$12.5bn lent to failing banks today and may start prosecuting fraudulent bankers.

But analysts say little can be recovered and predict the more important change will be a removal of legal obstacles to restructuring banks.

The attorney-general's office said it would decide today whether to press charges against bank owners

who broke legal limits on credits or lose all rights to indicated it would get tough on any banks which failed to repay their share in Rp150,000bn (\$13.5bn) in central bank credits to ailing

The government has also told the Salim family, which owned Bank Central Asia (BCA)jointly with two children of former president Suharto, that they could regain a minority stake if they paid back Rp30,000bn in

lending to themselves, and the country's largest private action against delinquent

If officials produce results today it would mark a sec- Suharto, as many of them ond step in banking reforms have close links with senior following the closure of three banks and nationalisation of Bank Danamon, the second largest private bank. last month. The government had closed 23 banks earlier in the crisis and stepped up supervision of 48 others but did little to address their

bank owners, including children and close friends of Mr already returned Rp70,000bn, officials in the new government. "They'll just say the banks did what was required." said Umar Juoro, an economist. If they bring the bankers to court they

bring themselves to court. In

the end they'll put one or

two people in jail but they

will procrastinate first."

family. But he would not say how much was cash and how much was a pledge of Some bank officials said they planned only to formalise a pledge of all their assets, made earlier this year in return for central bank

bank governor, said last ring bank assets to a new the International Monetary week that owners had government asset management unit. Without such a including more than formal pledge minority Rp20,000bn from the Salim shareholders could claim expropriation and sue. Most of the transferred

assets would be the loan portfolios, much of it bad debt and property. Some will offer shares in enterprises they own, but many companies have more debt than assets and shares are often support. That would remove pledged to other creditors.

Fund that it would finalise plans for restructuring and recapitalising Danamon, BCA and two smaller banks by the end of this month, including the sale of shares in BCA and possibly Danamon to foreign investors.

awaited plan for saving a handful of large banks that interest rates.

are still liquid but face negative spreads because of high

milk in tubs marked refor

masi, or reform. People snapped up tapes of his

As the guthorities kept their distance, waiting for

the Queen to come and go, Mr Anwar seized the oppor-

tunity to travel to the countryside, where he drew tens

of thousands at each stop,

On Saturday two men

Mr Anwar's adopted brother,

Sukma Darmawan, and his

former speechwriter, Muna-

sentenced to six months in

tail by the Sessions Court

after pleading guilty to com-

mitting acts of gross inde-

cency by allowing them-

Anwar.

Mahathir underestimates the power of public backlash

Strength of support for his sacked deputy forced the premier to act during the Commonwealth Games. Sheila McNulty reports

rival, Anwar Ibrahim, earlier this month he clearly never expected a significant public

But the heckles of a few hundred ardent Anwar supporters metamorphosed in barely two weeks into a gathering of 40,000-60,000 Square yesterday demanding

It was too much. Riot police dispersed the crowd with water cannons and teargas, broke into Mr Anwar's house and arrested

Normally, Malaysians refrain from openly discussing the country's leadership. Students are forbidden to engage in politics. Few dare criticise their prime minister, who tolerates little oppo- Save Malaysia."

Mahathir sition. Yesterday evening in Mohamad sacked his Kuala Lumpur normally reti-deputy and political cent Malaysians had brazenly pushed past dozens of from arresting Mr Anwar for riot police around Independence Square to hear Mr although he remarked that Anwar shout through a megaphone to defend himself against allegations of

sodomy and treason.

It was an embarrassing position for Dr Mahathir: near the square, Britain's Queen Elizabeth II was attending the Anglican cathedral just hours after arriving for one of the most important international events ever staged in Malaysia - the Commonwealth

"Malaysians have waited long enough. We have given Dr Mahathir enough time." Mr Anwar shouted. "Enough is enough. Dr Mahathir should resign. Resign now.

"Resign Now," the crowd Dr Mahathir had refrained the past two weeks. he was breaking a law that

gathering without a permit. It was clear he did not want to detain his former deputy until the Commonwealth Games had ended and the Queen left on Wednesday. He wanted to avoid unrest with the eyes of the world watching. The games are Malaysia's coming-out party and Dr Mahathir was committed to ensuring they were a success, So, even as Mr Anwar rallied Malaysians by the thousands, police confined themselves to issuing parking tickets to those parked

illevally around his home.

bars more than three people



the crowd. His supporters expected it would quickly disperse when the games began. Instead, the pressure

became more intense. Every night, thousands of Malaysians - Malay, Chinese and Indian - gathered at the But the prime minister home of Mr Anwar to listen

miscalculated the tenacity of to him angrily denounce the government that cast him out. He insisted he was being framed for becoming Dr Mahathir's only political

> "He picked the wrong guy," Mr Anwar shouted angrily, vowing to defend himself as long as he was

free. He even joined a rally with the head of the parliamentary opposition, Lim Kit

The crowds outside his home quickly grew to 10,000 and Mr Anwar erected a 20foot tall television screen so everyone could hear him

He has denied the allegations and said he was framed by his opponents.

Undeterred, the crowd rallied to Mr Anwar's side yesterday in Independence Square. Dr Mahathir was

finally forced to act. "A lot of people still don't believe the charges," said Fan Yew Teng, a writer and social activist. "It looks like this problem is not going away, and they [the authorities] are plainly worried. speak. Hawkers sold soy They want to contain it."

ponders merger of three

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By Laurence Eyton in Taipei

Taiwan's legislature is to consider a proposal to promote a merger between the island's three biggest commercial banks, Chang Hwa Commercial Bank, First Commercial Bank and Hua Nan Commercial Bank.

A new merged bank would have assets of T\$3,160bn (US\$91.5bn), putting it among the world's 90 biggest

banks. It would rank 22nd in size in Asia and would be almost twice the size of the Bank of Taiwan, currently the island's biggest financial institution.

A recent spate of bank mergers in the US has prompted the idea of creating a large Talwan bank. Tremendous savings could be made on costs by merging the three, whose businesses largely overlap. In addition their combined assets would make the new bank a big regional, perhaps international, player.

selves to be sodomised by Mr The merger will be for-maily proposed in the legislature on Wednesday by Lin Wen-lang, an opposition

All three banks involved are listed on the Taiwan Stock Exchange but their original owner, the Taiwan remains their biggest shareholder, retaining a 42 per cent stake in First Commercial, a 41 per cent stake in Hua Nan and a 30 per cent stake in Chang Hwa.

The provincial government is, however, due to be abolished in its current form on December 25 this year. after which its assets will pass to the central government. With the legislature giving impetus to merger discussions, the attitude of the Ministry of Finance towards the merger will be crucial.

A ministry statement on Saturday said that it would support the merger if it gained the approval of the managements and shareholders of the three banks.

The local stock market showed its enthusiasm for the merger on Saturday when rumours of Mr Lin's proposal turned around senish all week.

The market saw a 2.7 per cent rise on Saturday, with the shares of all three banks involved hitting the market's 7 per cent daily upward

The three banks said on up to their shareholders to decide, but a merger would. in any case, take a long time

to negotiate. Hua Nan has a shareholders' meeting on Thursday while the other banks both have shareholders' meetings on October 17. The merger is not on the agenda of any of the meetings but is likely to

be discussed The proposal has generemployees of the banks and

their unions. Currently all three banks have around 130 branches and between 6,000 and 7,000 employees. A merger is likely to result in the closure and the loss of at least 7,000

"Our earnings growth should continue at an above-average pace."

INTERVIEW WITH DR. MICHAEL WITZEL, MEMBER OF THE BOARD OF MANAGEMENT RESPONSIBLE FOR THE NATURE PRODUCTS DIVISION

Dr. Witzel, what future do you envisage for natural products? For SKW, a highly promising one in view of their excellent potential in globalmarkets and our strong competitive position. Of course, having the right product portfolio combined with a high level of innovation is docisive for our success. Our mix of the two is the right one.

What are your goals now that SKW BIOSYSTEMS - acquired in 1995 - has been restructured and already achieved a cumaround? Our structure is now optimal, we have quality management, and in all five business units we onjoy strong competitive positions which will be further enhanced. Our development rates for new and better products remain high. Our market shares are expanding in our most important markets -

the food, photographic and chemical-pharmaceutical industries. In this division as a whole, we are continuously reducing and containing costs. In 1998, we should again post above-average results from operating activities, that is, double-digit percentage growth already achieved in 1997 when we reached DM 96 million on sales of DM 1.5 billion. If not for tax options exercised in 1997, earnings would have been DM 25 million higher. In which areas are you most strongly competitive? We are the world's largest gelatin producer and our Taxturant Systems rank prominently in international markets. Our other business units are poised for strong growth, and we plan to boost them into leadership positions as well.

How are you developing your five business units? In Golatin & Specialties, we are strengthening our top ranking globally; our majority-owned joint venture in China is doing well. Our comprehensive Texturant Systems product lines are highly attractive to the food industry, and this unit's leading position can certainly be expanded. Focused on beverages, dairy products and confectionery as well as our unique CO₂ extraction, the Flavors & Fruit Preparations business unit is constantly growing. reaching higher productivity and profitability. In Cultures & Enzymes, particularly cultures for cheese production whore we are the market leader and probiotic yogurt cultures in line with new trends in nutrition, we have a solid position with promising growth potential. In our Salt Products business

unit, a reliable and profitable pillar of our business, there is scope for further earnings improvement as a consequence of sweeping reorganization. Those are the facts. How do you see the future? In the years to come, I expect sales to rise to DM 2.5-3 billion with carnings growth outpacing

sales increases, reflecting our rationalization measures. This size will give us the economies of scale of a global player. Backed by innovative power, we want to be the undisputed market leader as a producer, supplier and partner for nature-based products. And our further strengthencel commitment to satisfying client requirements specially in the food industry will be supported by our worldwide Food Service Center

What are your acquisition plans? To a large extent, our growth should be achieved organically. In a rapidly changing competitive environment, however, we are naturally preparing ourselves for external growth such as cooperation ventures and acquisitions but only if there is a sensible fit at reasonable conditions. In any case, the Nature Products Division will continue to develop within a balanced, low-risk structure in tandem with SKW's other two divisions, Chemicals and Construction Chemicals.

SKW Trostberg AG, Corporate Communications P.O. Box 1262, D-83303 Trostberg, Germany Telephone (+49) 86 21/86 -24 60, Telefax (+49) 86 21/86 -20 20 enber of the YIAG Group



Telecom pay cut plan in HK sparks protests

By Louise Lucas in Hong Kong

Workers at Hongkong Telecom are planning a ban on overtime today, following and petitions against the group's proposals for a 10

The clash, which pits one of the territory's biggest employers against the bulk of its 13,800 workers and raises the prospect of strike action at the dominant telecoms operator, could set precedents as recession deepens in Hong Kong. So far, only a handful of companies have attempted to cut wages.

"People know very well that being a company with a profit of over HK\$10bn (\$1.3bn), [Hongkong Telecom is] really leading the way for other employers to follow suit, especially other not so profitable employers," said Lee Cheuk-yan, a member of the legislative council.

Hong Kong's maintenance of its fixed exchange rate regime has effectively devalued assets instead - both property and the stock market have seen their value halved from the peaks last year - but other business costs have proved less flexi-

weak demand, especially increasingly unlikely.

cost-cutting so far has cen-Thursday, shortly before Hongkong Telecom unveiled a weekend of street protests its pay cut plan, the government said unemployment had reached a 15-year high

Unemployment benefits are minimal and there have already been concerns that the growing unemployment rate will hit banks with a rise in mortgage defaults. which are now tiny. The Hongkong Telecom

dispute could also have ramifications for the territory's industrial policies. Hongkong Telecom's international direct dialling monopoly was terminated prematurely as part of efforts to liberalise the tele-

coms sector.

The government is due to announce next month whether or not it will award new fixed-line licences; existing operators have made clear their objections to expanding competition in the current market.

Nonetheless, analysts had thought Hong Kong would stick with its pro-competition reputation and award licences. In the present For companies faced with climate, that now looks

Pressure growing on Asia's welfare states

By Micholas Tiannin Public Policy Editor

Many of Asia's low-spending welfare states - often cited by commentators in the mid-1990s as a potential model severe pressure and unlikely a study from the London School of Economics.

Public spending on social welfare, ranging from health to banefits, accounts for only just over 5 per cent of gross domestic product in Singapore and Hong Kong, 10 per 15 per cent in Japan. In Europe the figure is 25 per cent and often much more. But the factors which have

produced low spending chiefly enterprise welfare, a major issue in South where companies cover employees and often offer most job losses have been in lifetime employment, and family welfare, where both income and caring is shared across the generations - are begun to address its rapidly

under mounting pressure, according to Didier Jacobs of the LSE's Centre for Analysis of Social Exclusion.

younger age structure, the

ageing populations. The picture varies by country, as to be sustained, according to does the precise structure of their welfare systems, but all are facing serious challenges made far worse by the Asian difficulties, their heavy relicrisis, Mr. Jacobs says. "Ageing populations are putting a stress on the family as an alternative to public welfare, but equally, enterprise welcent in South Korea and fare is being put under Taiwan and little more than stress by globalisation. increased competition and the current financial crises which will raise the problem of unemployment."

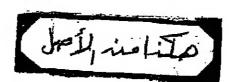
Unemployment is already Korea, he says, even though small and medium-sized enterprises, not big conglomerates. Japan has only just

the longest recession since the second world war the tradition of a company job In addition, despite their for life is under pressure.

Korea and Taiwan have Asian economies all face both passed welfare state legislation which in time will push up spending on pensions and other benefits. And while Singapore and Hong Kong face less acute ance on the private sector leaves them with a dramatic gap in income between the

"The challenge to east Asian social welfare systems is that burden carried by families and enterprises may be too heavy." Mr Jacobs says. Despite their success in recent years, "they are under a lot of pressure and are unlikely to be sus-

Social Welfare Systems in East Asia: A comparative analysis. CASE, LSE, Houghton Street, London WC2A 2AE.



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Andrew Commencer (1997)

Ponden Clinton videotapes may jam internet

By Louise Kehoe

Millions of visitors to web sites broadcasting videotape images of President Bill Clinton before the grand jury threaten to bring the global computer network to a halt today, delaying electronic mail and erecting a temporary roadblock in the path of electronic commerce.

The internet advanced its role as a primary news medium last week, when millions of computer users logged on to read the Starr report. But the true test may come with today's release of the president's videotaped testimony.

internet traffic may be be publishing capabilities of slowed by a factor of about computer networks. 200 per cent, predicts Mark

broadcast services.

Clinton videotapes for CNN muffled. Far easier to turn Interactive, the website that on the TV. was first to serve up the The size of today's internet

If the tapes arouse the images of computer screens want to catch a glimpse of same level of interest as last as they struggled to keep the four hours of videotapes week's 445-page document, pace with the instant mass on their desktop PCs.

Cuban, president of Broad- its role today. Although cast.com, a leader in the video broadcasting via the advantage of its "on emerging field of internet internet is technically feasible, the technology is still Broadcast.com will "host" imperfect. Pictures are often the video showing of the jerky and the audio may be

Starr report. Other news ser- audience is hard to predict, vices planning to put the therefore. Timing may have videotapes on their websites a lot to do with it. The tapes include ABC, MSNBC and are expected to be released at 9am Eastern Standard Internet news services are Time in Washington, which determined to maintain their is 2pm in London. Many lead over traditional media. office workers are unlikely Last week. TV stations were to have access to a television forced to resort to showing at that time, but they might

ing a second flood of visitors about half an hour to install on the east coast of the US. But television may reclaim at the end of the business the software, depending on From there data traffic jams day as computer users take modem speed.

demand" service which video at their own conve-

PCs will be able to view the

videos online. Most PCs

more than two years old will not be up to the task. Special software is also traffic tamrequired. Two programs -Real Player from RealNet available on dozens of news works (www.real.com) and web sites, the videotapes will Windows Media Player from Microsoft (www.micro- sites equipped to handle

The release of the historic videotapes presents a serious enables users to view the challenge to the internet infrastructure. The problem is that video files are huge There are drawbacks to when they are converted internet viewing. For a start, into the bits and bytes of the only people with up-to-date computer world. If large numbers of PC users attempt to view the approximately four hours of Clinton tapes. they could cause a huge data

Unlike the Starr report be accessible at only a few player) will do the job. demand at these web sites Either can be downloaded could cause back-ps on

CNN Interactive is expect- free of charge, but it takes regional networks, primarily could spread.

Like a highway system the internet has critical junctions. If they get clogged, the effects may quickly be felt far afield, says Mr Cuban of Broad-

"It is as if you are trying to enter a tunnel blocked with traffic," he explains. "Before long, the back-ups get so long all internet users are affected." If internet services are seriously degraded by hundreds of thousands of people trying to view the Clinton videotapes, business users may begin to worry soft.com/windows/media- video broadcasting. Excess about growing dependence upon the public computer

Middle Moms turn off

By Louise Kehoe in San Francisco

"I've got better things to do on a Monday morning than watch videos and read about Clinton's sex life." said the soccer dad.

The talk on the sidelines as the Icebreakers beat the Lemon Limers 1-0 this weekend would suggest only a moderate level of public interest in the Clinton-Lewinsky scandal.

No one among the group of a dozen or so parents from San Mateo, an affluent city on the San Francisco peninsular planned to watch the Clinton videotape released

Some were clearly irritated by the whole topic. 'I'm environmental chairman of my fishing club so I get a lot of e-mail," explained one father. "Now, I have to plough through all the Clinton jokes - pages of them - that people keep sending me."

release of "more dent Clinton's affair with Monica Lewinsky, "We've had quite enough detail to know what happened. What more do we need to know?" asked one.

The prospect of the teenage girls (12- and 13-yearolds) on the field being exposed to yet more X-rated materials from Washington worried some. A drama teacher said she had been forced to rule the Clinton affair out of bounds in her sixth-grade "improv" class (11-year-olds). "They know all about it. The boys were

The consensus seemed to be that congressional Republicans were attempting to the way Congress was hanforce the president to resign and that they might well be successful. Few people among this group would shed a tear over his depar-

pretending to smoke

loses ground in polls

Clinton

By Stephen Fidier in Washington

Opinion polls published over the weekend suggested a hardening of public attitudes towards President Bill Clinton in the week since the release of the report by Kenneth Starr, the independent prosecutor, which described the president's affair with Monica Lewinsky.

The main source of comfort for the White House amid the damaging revelations in the Starr report has been Mr Clinton's continued high approval rating. Yet a poll by Newsweek magazine. conducted on Thursday and Friday, found 46 per cent of people thought he should consider resigning, up from 39 per cent a week earlier Some 41 per cent believed warranted, down from 35 per

cent a week earlier. Mr Clinton's job approval rating weakened from 61 per cent to 58 per cent, while 66 per cent of those polled The moms were unani-mous in their revulsion at under oath. The poll of 750 adults had a margin of error detailed" accounts of Presi- of plus or minus 4 percentage points.

A majority of those polled disapproved of the release of Mr Clinton's videotaped testimony, due to be made public today. Fifty two per cent disapproved, while 44 per cent approved.

A poll by CBS News released yesterday suggested a hardening of attitudes. According to this poll, with a similar 4 per cent margin of error, 56 per cent believed Mr Clinton should be censured by Congress, while 37 per cent favoured resignation, a slight increase from the previous week's results.

in another poll, for Fox News, just 38 per cent of those surveyed approved of dling the matter. Fifty per cent disapproved of the way Republicans were handling the issue, compared with 45 per cent who disapproved of

Love him or loathe him, the tapes won't change your mind

Clinton's videotape testimony is unlikely to have a decisive effect on whether he is impeached or not, says Gerard Baker

Aschoolers would normally be sitting down to Clinton's critics, is that it agree the president's alleged another episode of Arthur the Aardvark, the leading substantive effect on the television networks will interrupt their broadcasts the president should be down this division if they and begin relaying a heated four-hour exchange between several middle aged men there are going to be times about oral sex, genital stimulation and the meaning of him. If you think he's a guy the word "is".

According to those who have seen the tape of President Bill Clinton's testimony before the criminal grand jury conducted on August 17, it portrays a defensive ciary committee. president struggling to control his temper as his inter-rogators press him with detailed questions about the nature of his relationship with Monica Lewinsky. But, in between the haggling over sex and semantics it also humour, and, say the president's defenders, portrays ted a grave wrong, but do Mr Clinton at times in an almost sympathetic light. Indeed, by the time the

will probably have very little crimes are impeachable. debate about whether or not know they have to break

impeached. upon. But it's not going to be a knockout blow," said Lindsey Graham, a Republican member of the House judi-

Mr Graham put his finger on what the White House hopes will prove to be a critical factor in Mr Clinton's battle for survival. Much of the public seems

to divide on the issue of Mr heavily partisan lines. Democrats believe he has commit- crats tried to block it. for impeachment; most

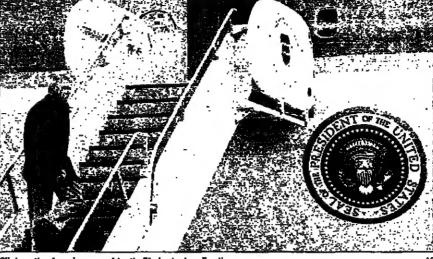
t 9 o'clock this morning, digest the extraordinary and "high crimes and misdejust as America's pre- unprecedented spectacle, the meanours". So far, only a irony, according to even Mr small minority of Democrats

> Republicans in Congress are to succeed with impeach-"If you like the president, ment. But this problem of partisanship in the country when you feel sympathy for is exacerbated by the way in which the Congress is tackyou don't like, there's going ling the issue. The House to be things you'll seize judiciary committee, which will initially decide whether the offences warrant a full impeachment hearing, is one of the most sharply divided

> in Congress. Last week's decision to release the videotape, and more than 2,800 pages of supporting documents for the report of Kenneth Starr, the independent prosecutor, was highly partisan. Republicans voted to Clinton's future along have almost all the material made public, while Demo-

Senior Republicans are not see it as serious enough concerned, as today's bizarre events unfold, they will be Republicans want him out of blamed as partisan broadnation has had the chance to office for what they see as casters of sleaze, and that, as impeachment process, there- sing the proceedings rather

> Taking long walks together. Fetching, running and romping around. Nothing is more fun for a four-legged friend. Provided that he is healthy. Hoechst Roussel Vet, our animal health company, is making an important



it goes on, the judiciary com- fore, the judiciary commit- differently - as a Republican against the president. A poll published yesterday for CBS News showed a sharp drop in support for the current Congress - a 12 percentage point fall in a week. Republicans know the impression of partisanship could kill off their impeachment inquiry. Democrats are aware by portraying the process as one-sided they may give side by side, pouring themselves the one thing through these materials." they have lacked in the Lew-

insky affair - a political position they can defend. The first stage of the

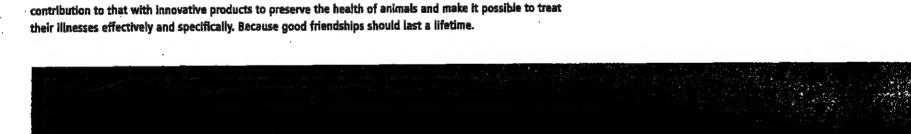
mittee's partisan conduct tee's proceedings, seem cer- terror. "The American could damage their case tain to continue to be dogged by a curious tussle over the politics. Republicans are busy praising their Democratic colleagues for being some fairness here. Right bipartisan (thereby proving their own impartiality).

"I've really been heartened by both the majority and the minority counsel, the investigators and the teams on both sides working together, said James Rogan, a Republican member of the committee yesterday.

people expect more from the gress. . . Let's give everybody an opportunity for now what we're doing is not good," said Maxine Waters, a Democrat.

President Clinton hopes that this curious spectacle -"unilateral bipartisanship", one member called it - will undermine the process itself. But there is an inexorable quality to the proceedings, and for all their flawed political nature, it far from clear Democrats are characteri- they can be derailed any

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UN chief seeks role for millennium



Kofi Annan, secretary-general of the United Nations, today seeks to capture the imagination of world leaders assembled for the opening of the 53rd general assembly.

His message of global politics for the new millennium is part of the fresh role Mr Annan believes the United Nations must forge for itself. "He will try to spell out a vision that takes into account the changes of globalisation, which have been on the whole positive, but these benefits are not felt equally. Millions are living on the margins," said Shashi Tharoor, a close aide. It was now time to "get the world leaders to see that there is a lot we can do collectively,"

eral assembly, Mr Annan has completed some of the reforms he proposed last UN is not yet the modern. solvent institution he would

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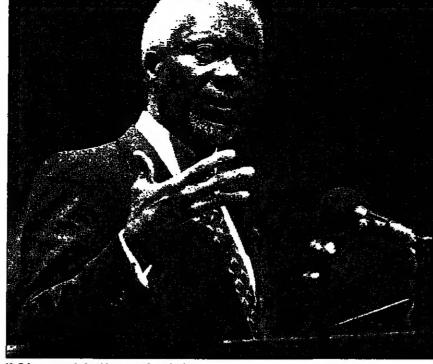
the second world war is still shedding its old skin and adapting to the changed post-cold war world.

With terrorism, growing economic instability and poverty, and conflicts round the globe set to dominate the opening of the assembly, Mr Annan is seeking to map out an agenda for the new millennium.

The circumstances, however, are not ideal. Washington has no senior envoy in what is regarded as the most powerful US diplomatic post after secretary-of-state. The nomination by President Bill Clinton of Richard Holbrooke, the architect of the Dayton peace accords in Bosnia, as US ambassador to the UN is being investigated, which could leave the seat empty until next year.

The US has yet to pay some \$1.6bn in outstanding dues and could lose its vote in the general assembly unless Congress approves payment.

Mr Annan's agreement with Iraq has unravelled. Last February he averted US military intervention by strlking an accord with Iraq's President Saddam Hussein year. But with problems - to allow UN weapons inspec-including the reform of financing and the Security suspended co-operation but Council - unresolved, the the US this time is unwilling to threaten the use of force and is pressing Mr Annan to like it to be. The 185-member take the lead in seeking a



Kofi Annan: not helped by an equivocal US

win situation. He recently accord and the possible joked in private that "SG" did not stand for secretarygeneral, but scapegoat.

Despite efforts by Mr Annan to address the plight of Africa, the situation there has deteriorated - including war in the Congo, a stale-memories of UN failures in mate in Western Sahara, fail-Somalia and Bosnia still

He appears reluctant to ure in Angola to implement fresh, the Security Council take on what appears a no- fully a four-year-old peace has been loathe to approve full-scale peacekeeping misresurgence of war, and an sions, relying on regional unresolved border dispute organisations to do the job between Ethiopia and Eri-

"There is a growing recog-Foreign ministers on nition that the UN is far Thursday will hold a Council removed from the centre - a session on Africa but, with realisation that regional organisations or powers can

lence by Serbia in Kosovo. The Council has done little more than demand an end to the conflict and impose an arms embargo, which is widely violated. The Council has repeat

Mr Annan is concerned

about the continuing vio-

edly addressed the conflict in Afghanistan but has made

no progress. Madeleine Albright. US secretary of state, will hold talks with her Russian counterpart and officials from the six states bordering Afghanistan. It will also mark the first meeting between senior US and Iranian officials since shortly after the revolution nearly a decade ago. The Taliban controls most of Afghanistan but they do not hold the assembly seat.

With most world leaders in New York, the general assembly has always pres-ented an ideal opportunity for bilateral meetings although Ms Albright and her Iranian counterpart. Kamal Kharazi, do not plan to speak directly.

India and Pakistan will hold face-to-face talks, which diplomats hope could ease tensions in the wake of their recent nuclear tests. It is also the first time an Iranian president has visited the UN in a decade and it could be the last general assembly for

NEWS DIGEST.

OPENINGS FOR FOREIGN SUPPLIERS

China draws up blueprint for hydro-electric power

China plans to construct five large hydro-electric power stations costing a total of \$7.23bn by 2010, creating significant demand for international financing and equipment from foreign suppliers. The plan, reported by the official media, comes as China has overcapacity in many provinces, industry executives said. The bluepant, however, envisages disproportionate growth in hydropower genera-tion over the next 12 years as the country reduces reliance on coal-fired stations.

China currently exploits only 15 per cent of an estimated 378m kW of hydropower potential, compared with 50-90 per cent in some developed countries. Coal-fired stations generate about 70 per cent of the nation's electricity. The State Power Corp was to undertake the projects, according to the blueprint, but much foreign financing and invest-ment would be needed. James Kynge, Beijing

COLOMBIAN CENTRAL BANK

Pressure eased on companies

Colombia has cut the amount of money companies must deposit with the central bank on loans obtained from abroad, as part of efforts to take pressure off the interest and exchange rates. The move, last Friday, follows a decision by Chile to cut the rate on a similar reserve requirement to zero. Both announcements follow sharp rises in the risk premiums Latin American dovernments and companies must pay for borrowing on the international capital market. The reduction of the reserve requirements should

help offset some of this increased borrowing cost. The Colombian central bank cut the proportion of external credit that must be lodged with it from 25 to 10 per cent. It also cut the length of time that the money must be deposited from 12 to six months. The requirement - introduced in 1993 - was reduced from 30 per cent in January. Richard Lapper, Latin America Editor

COPPER MARKET

Sumitomo settles class actions

Sumitomo Corp, the Japanese trading company, has agreed to pay \$42.5m to settle two US class actions related to its alleged manipulation of the copper market between 1993 and 1996. In September 1996, the company revealed losses of about \$2.6bn or Y285bn due to unauthorised copper trading by Yasuo Hamanaka. The settlement, which must be accepted by the California Superior Court, would conclude all outstanding class actions against the company, said Sumitomo. It vigorously denied the plaintiff's allegations under the antitrust statutes of 19 US states and denied liability or any wrongdoing.

During the first half of the financial year the company will take a \$35.5m charge, equivalent to Y5bn, to cover the settlement. To make the full \$42.5m payment, the group expects to use \$7m from a fund set up in May as part of its settlement with the US Commodity Futures Trading Commission. In August, Sumitomo paid \$99m to reach a proposed settlement with members of a class action in New York, Mr Hamanaka was sentenced to eight years in prison for forgery and fraud by a Tokyo District Court in March. Paul Abrahams, Tokyo

World hopes India will act on nuclear fears

Alexander Nicoli in New Delhi

The US, shocked by India's nuclear tests four months ago, will be searching for signs of a more conciliatory tone this week when Atal Behari Vajpayee, Indian prime minister, addresses the United Nations general

The west is hoping that his speech on September 24. as well as a round of talks expected in Washington tomorrow between US and Indian officials, will clarify meeting in New York on

India's policy on nuclear September 23 between Mr weapons. The Indian tests, quickly matched by Pakistan, thrust South Asian the world's non-proliferation regime towards the top of Washington's foreign policy agenda.

prospect of a nuclear standoff between two countries which are already engaged disputed Himalayan terri-

security and the future of the "modalities" of a The west is alarmed at the and confidence-building measures.

in low-level conflict over the tory of Jammu and Kashmir.

Vajpayee and Nawaz Sharif, Indian willingness to sign the Pakistani premier, India the nuclear Comprehensive the Pakistani premier, India and Pakistan will announce resumed series of officiallevel talks on a range of subjects including Kashmir as well as the security situation

talks would help to allay western anxieties, though the prospects of any break-After a separate bilateral in many previous rounds.

Test Ban Treaty (CTBT). part of the architecture of non-proliferation thrown into jeopardy by the tests. Strobe Talbott, US deputy secretary of state, will

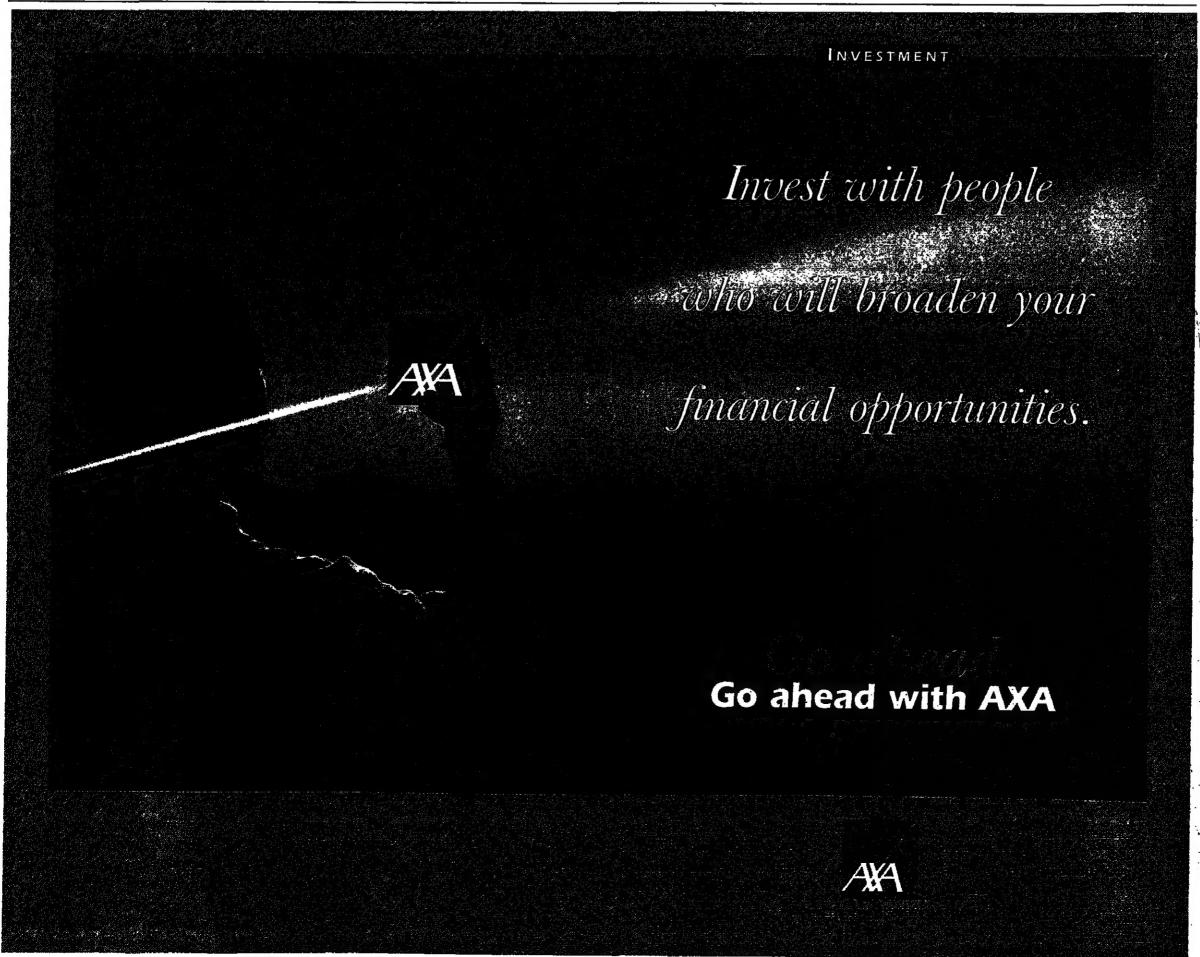
tomorrow hold a fifth formal round of discussions with Renewed Indo-Pakistani Jaswant Singh, Mr Vaipayee's personal envoy. Though their talks cover the conditions under which India through remain as limited as might sign the CTBT, the content has been closely Of equal concern to the guarded, with no formal

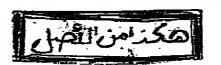
accede to the CTBT and sav they are not seeking any "textual" change to the treaty, though analysts in the Indian capital suggest a commitment to sign is unlikely to be given, for domestic political reasons. before three important state elections in November.

New Delhi is looking for a relaxation of a ban imposed by the US and other nuclear powers on exports of nuclear

Indian officials believe India's de facto status as a New Delhi will eventually nuclear-armed country and nuclear-armed country and is necessary to win political backing at home for entry into the CTBT.

While Mr Vajpayee, in his UN speech, is likely to emphasise what India sees as its nuclear status, he will also re-state India's long-standing call for concerted steps towards global disarmament. New Delbi sees no contradiction between these two positions. stressing its need to ensure





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Call to raise hydro-electric power limits on size of new City buildings

Property Correspondent

Control of the Park of the Par

NEWS DICK

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The Corporation of London is expected to ask the Government Office for London the body planning the new office of directly elected mayor - to allow new build-ings in the City of London to be twice as big as the pro-posed tight limits.

The corporation – the municipal authority for the

City of London - wants a permitted height of 100m (109 yards) or bulk of 400,000

Had the proposed restric-tions been in effect last year, it would have delayed or halted roughly a quarter of all development in the City, said Stuart Fraser, chairman of the carporation's planning and transport committee.

The corporation will be holding a consultation exercise with property owners, developers, occupiers and invesors about its response to the government's propos-als on the powers of the new mayor and Greater London

In a policy document issted last summer, the Goverament Office for London proposed that planning applications on buildings of "strategic significance" be alled in for review.

It defined those buildings s anything above 200,000 sq f in bulk or 50m in height . pout a third of the height of he International Financial entre, formerly the MatWest Tower, the scond-tallest building in the

Height and bulk is a criti- ingly commonplace.

cal issue in the City, where financial services firms, the majority of tenants, increasingly want large areas to accommodate vast trading floors and buildings large enough to accommodate thousands of employees,

Last year, Merrill Lynch, the US-based investment bank, received planning permission to redevelop a 600,000 sq ft site in the City for its new headquarters. Several other developments of more than 200,000 sq ft of space have received planning permission within the

"Financial companies which really need buildings need them yesterday," Mr Fraser said. The requirement to put each large building through a long consultation was likely to deter many occupiers, he said. "Ten years ago, even five years ago, 600,000 sq ft of space wasn't known about. Frankly, it's important for us to keep the Merrill Lynches of this world in the

City."
There are no formal height and bulk restrictions on City buildings, although there are restrictions on those that obscure certain views of St Paul's cathedral, and rules on the preservation of his-toric architecture.

Mr Fraser also said the corporation was questioning the definition of a building 100,000 sq ft building could have strategic importance in some areas of London, but less so in the City, where such buildings are increas-

By George Parker

William Hague, the leader of

the opposition Conservative party, will today launch his

party's internal ballot on the

European single currency,

amid renewed warnings

from senior party figures that the exercise would

Mr Hague will be bolstered

by an opinion poll which suggested he will easily win

the poll of about a third of a

million registered party

But Michael Heseltine, the

former deputy Conservative

attack on the ballot - which

will cost £300,000 (\$495,000) claiming it was "irrelevant" and would only confirm

what was already known

about the views of activ-

Mr Heseltine and Kenneth Clarke, the former chancellor of the exchequer, are

expected to become increas-

ingly vociferous in their opposition to Mr Hague in the run-up to next month's

Mr Heseltine argued that

the party needed to win back former Conservative voters

who switched to pro-Euro-

pean Labour and Liberal Democrat candidates at the

"We've tried all this in

government - every time we

were a bit tougher on

Europe our support went

But Mr Hague will claim

he was vindicated if his view

that Britain should stay out-

side the euro during the life-

time of the next parliament

is overwhelmingly endorsed. A poll in the Sunday

Times newspaper of 117 local

party chairmen found 86 per

cent would support the lead-

ership. Only 10 per cent said

Meanwhile, Michael Por-

tillo, former chief defence

minister and ardent Eurosceptic, has indicated he

hopes to make an early

return to parliament in a

Mr Portillo has been stead-

fastly loyal to Mr Hague

since he lost his seat at the

last election, but many Conservatives would like to see

winnable by-election.

him installed

they would vote against.

last election.

down," he said.

futile and divi-

Ballot Leader of opposition row puts pressure warned on Blair over party leadership euro poll

The leadership of the governing Labour party yes-terday faced fresh claims that it is bending party rules to stop leftwing candidates winning places on the national executive committee, its ruling body.

It emerged yesterday that ballot papers were sent to up to 100,000 lapsed members, many of whom are thought to be newer members tending to favour Tony Blair, the

leftwing candidates challengng for a place on the NEC, said the move breached party rules and should be

The row is an embarrassment for Mr Blair, who has been accused by leftwing critics of having an authoritarian desire to stamp out criticism of his leadership at all levels of the party.

Many senior party figures have been wheeled out to criticise the candidates on the leftwing slate, most recently Neil Kinnock, the former Labour leader and EU transport commissioner.

Labour headquarters yesterday denied that as many as 100,000 ballot papers were wrongly distributed. But it could not confirm a figure. The party blamed a "badly

drafted constitution", put together when the rules were changed last year, for confusion about who was eligible to vots.

Tom Sawyer, general secretary of the Labour party. said there was "some confusion" over the membership

He insisted that when the matter was drawn to his attention he took legal advice which "supported my decision to err on the side of caution in allowing the relevant individuals to vote".

Some observers in London claimed the lapsed members and partly been included in the ballot to disguise falling membership numbers.

The results of the NEC hallot will be announced at next week's Labour conference in Blackpool, in north-west England, and will be an indication of how deep-rooted the Blair revolution is in the Labour party.

Harsh words on manufacturing performance fail to stand up Making progress

Treasury claims of low productivity are contradicted by

government data, writes Peter Marsh

Recent criticism by the Treasury of low productivity in UK manufacturing is belied by the government's own data indicating a big turnround in export performance by much of the sector in the past 10 years.

Figures obtained for the

Financial Times by the Office for National Statistics reveal that Britain's combined mechanical and electrical engineering industries - about a quarter of which are foreign-owned - had a trade surplus last year of £3.7bn (\$6.1bn) compared with a deficit of £0.8bn in

The improved performance, due mainly to an increase in exports, is part of a big improvement in the trade balance in the capital goods sector, covering a range of industrial equipment. It is the most significant turnround in trade performance of any single

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Manufactured goods traded performance (22m) -45 -14 -87 -0.1

increased from £13.01bn to £31.85bn. The increase of 145 per cent is comfortably above the 118 per cent growth in the whole of UK merchandise exports over

David Kernohan, research sector of the UK economy in and policy adviser at the the past decade. Engineering Employers' Fed-Between 1988 and last eration, the main UK engi-

said the data underlined the improved competitiveness of an important part of UK manufacturing. The figures indicated that some aspects of the Treesury's criticisms of industry for low labour productivity had been "over-

He added: "It is unedifying to see Gordon Brown [the chancellor] bashing manu-

facturing industry at a time when it is under extreme pressure due to the high pound." Many of the federation's member companies have been complaining of difficult trading conditions due to the level of sterling and gathering world eco-

In recent months, Mr Brown and other govern-

holding seminars to alert £31.8bn last year, comfortindustry to ways of improving productivity to the levels increase in Britain's total of international rivals, merchandise exports. Studies by the McKinsey consultancy company have mance is one of the main shown that UK labour productivity is significantly deficit on manufactured below that in other developed countries in a range of in 1988 to £8.8bn last year.

industries. But Mr Kernohan said the improved trade performance showed that labour productivity figures gave only part of the picture, with companies' ability to maximise output from a fixed amount of is likely to be a narrowing of capital investment also being important.

John Walker, chairman of Oxford Economic Forecasting, a consultancy, said the trade data indicated 'improved competitiveness" by a big part of industry.
"The trade figures [in the past decade] have held up better than many of us thought, though there is a danger of the improvement being messed up by the appreciation in sterling." Since 1988, Britain's capi-

tal goods industry, which encompasses a large swathe of manufacturing from taps to tractors, has been among the largely unsung success stories on the export front. Capital goods exports (which do not include cars) have

The industry's perforreasons why Britain's total goods shrunk from £15.3bn

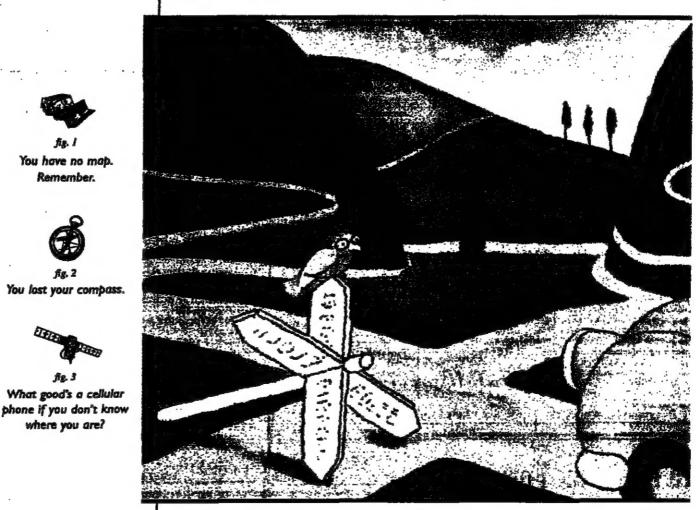
Prospects for the next few years look less rosy. As the high pound has cut into manufacturers' export margins, many engineering companies are struggling to keep up overseas sales. The result the capital goods surplus this year and next.

Unpublished findings from the National Institute of Economic and Social Research, an economics think-tank. indicate that roughly oneexport performance of the whole of manufacturing since 1988 has been due to inward investment.

This percentage is likely to have been significantly higher for the UK capital goods sector, as opposed to manufacturing generally on the grounds the sector has seen a large volume of inward investment from US, Japanese and German companies.

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£443.75 Do 121/2% Bd 2016 £625.0 Cranswick 8,25p Daiwa Und Gtd FRN Y1361096.0 Fleming Worldwide Inc Inv Tst Exchequer 121/4% 1999 Do Units 10

Grafton IR10.5p HIH Cap 71/2% Cv Cap Bd 2006 £187.50 Henderson Electric & Gen Inv Tst 2.15p Hercules \$0.27 Jupiter Geared Cap & Inc Tst

Konica 714% Nts 1998 Y725000.0 raemer 10%% Bd 2006 £106.25 Mansfield Brewery 111/2% Db ■ TODAY

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PizzaExpress New Zealand 1134% 2014 Rage Software Northern Electric 12.661% Bd Arcon Int Res North Midland Construction Caldwell have Eurotunnel IS Solutions

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Utd Industries ■ WEDNESDAY SEPTEMBER 23 COMPANY MEETING: British Biotec, Insurance Hall, 20, Aldermanbury, E.C., BOARD MEETINGS: Finals:

Kier McBride Northamber Schroder Ventures Interims: Avis Europe Biocompatibles Inf Bowthorpe Brake Bros Dawson Int Densitron

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A long-term steward

In spite of a burst of activity, the Swedish business dynasty is not changing direction, Tim Burt learns

No one at Investor could is anothema. Businesses deserve

There is nothing remotely husky about the demeanour of Investor's deputy chief executive, one of the most powerful members of Sweden's Wallenberg business dynasty. And there is nothing of the pack animal in his business dealings at Investor, the Wallenberg family's main invest-

"It is a childhood thing, something he does not talk about," says one Investor insider.

Mr Wallenberg draws the line at discussing such family matters, confining himself instead to the business in band - the performance of the investor portfolio, which holds controlling stakes in companies accounting for more than 40 per cent of the Swedish stock market.

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Like many of his fellow executives, Mr Wallenberg has been greatly exercised by negative stock market sentiment towards Investor. Its shares have fallen more than 30 per cent during the past three months and it has traded at a discount to net assets for as long as most analysts can

Critics of the Investor regime, which has held stakes in companies such as engineers SKF and Atlas Copco since 1916, claim it has been slow to react to market turmoil. They argue that investor would be better broken up into smaller investment trusts, each focusing on areas of industry, venture capital or start-ups.

Mr Wallenberg - a board director of eight companies in the Wallenberg portfolio, including telecoms giant Ericsson, and Astra, the pharmaceutical group listens politely to such criti-

cism. Then he cuts it dead. "Listen, we are not going to become a mutual fund or investment trust. That is not an option and it completely ignores our long-term perspective towards industry." That lies at the heart of the Wallenberg philosophy.

Almost every member of the family has been schooled in the long-term mantra: selling down

or would explain. Why is turning round, says Mr Wallen-Marcus Wallenberg nick-berg; they do not benefit from crude financial engineering. In recent months there have

been signs of a fresh wind blowing through investor, following the appointment last year of Percy Barnevik as chairman. Mr Barnevik, the first nonfamily member to hold the title. was brought in by Peter Wallen-

berg - the family patriarch and Marcus's uncle - to prepare Investor for the 21st century. The Swedish industrialist, famed for his restructuring of engineering group ABB, has done so by introducing the so-called Barnevik "triple jump". First, a business is restructured; failing that, the management is changed; lastly, you either sell

out or merge it. In short order, administering that medicine has seen Investor sell a 35 per cent stake in Saab while floating the remainder. Stora, the paper group, has announced a \$8.5bn merger with Enso of Finland. Astra has renegotiated its US joint venture with ply because their sector is out of Merck. The chief executive of

'If the world around us is spinning faster and faster, we must

SKF has been dismissed.

And overseas directors and new corporate governance rules have been adopted by Investor

companies. Mr Wallenberg, however, denies that the burst of activity signals a change of direction Aerospace to British Aerospace, or an end to the family's

Marcus Wallenberg: Essential Guide

Dispatched abroad: Unlike his father and forefathers, Marcus Wallenberg arrived in the boardroom of Europe's most powerful industrial dynasty after a financial apprenticeship almost

With cousin Jacob - chairman of Skandinaviska Enskilda Banken - Marcus was dispatched to the US soon after graduating from the Royal vedish Naval Academy in the late 1970s.

Turbo-charged: Although his stint at Georgetown University was intended to broaden horizons, Marcus underlined his Swedish roots by arriving on campus in a black Saab, with

"Husky" on the number plate. Finishing school: Marcus obtained a BSc in International business before beginning his career. Peter Wallenberg, his uncle and patriarch of the family empire, was determined that "the boys" - as Marcus and Jacob were known - would cut their management teeth in a non-Swedish environment.

For Marcus, that meant a rapid "finishing school" at some of the world's largest financial nstitutions. Between 1980 and 1985, he worked at Citibank in New York, Deutsche Bank in Frankfurt and Hamburg, S.G. Warburg in London and

Citicorp in Hong Kong.

Takes advice: "Marcus does not profess to be an intellectua or the smartest person around." recalls one London banker. *But he proved very shrewd and willing to take time to listen to

the right advice."

Since then, the 42-year-old sailing and hunting enthusiast has been a central fixture of the Wallenberg portfolio. He served his time at SE-Banken in Stockholm and London, before gaining manufacturing experience in the early 1990s at the German subsidiary of Stora, the

nvestor-controlled paper group. Crown prince: He has merged - along with his cousin Jacob - ready to assume the top Wallenberg job should it come

affection for long-term holdings. "I see no contradiction in acting faster while maintaining the long-term view," he adds. "If the world around us is spinning faster and faster, we must react. But we will not leave companies sim-

He also plays down the Barnevik effect. "Had it been my uncle or Percy facing this situation, the decisions would still have been taken. Percy has a different way of working and he adds a global perspective. But it is not a revolution."

Mr Wallenberg, deputy chairman of aircraft group Saab and papermaker Stora, adds that some of the recent deals underline the family's determination not to exit stocks which many analysts regard as low margin and mature.

Saab, he maintains, can play a eading role in the consolidation of the European defence industry and has some world-leading aerospace technology. Stora, meanwhile, has emerged as Europe's largest volume paper group in combination with Enso and promises strong growth in a highly fragmented

"We don't hold on to companies for nostalgic reasons. But we give them a chance to change for the better - that is what they are all striving for."

One investment banker says Marcus has assumed responsibility for championing the family values within Investor, along with cousin Jacob, who joined Investor's board this year.

"They believe if they just cut and thrust like any other institutional shareholder, they would make short-term gains at the expense of industrial influence which has taken almost a century to build," according to the banker, who asked not to

Another adviser says Marcus and Jacob - both being groomed as possible successors to Mr Barnevik - manage the business in a rather feudal manner, expecting strong loyalty and service from those below them.

"They have a huge fear of screwing it up, and regard their current roles as heirlooms which must be preserved for the next

meration." he adds. "But they sized businesses also realise the world has start-up companies. changed since Peter's days as chairman, and they

have got to modernise it." Marcus and Claes Dahlback. Investor's long-serving chief executive, intend to do so by placing up to 15 per cent of investor's SKr100bn (£7.6bn) portfolio in private equity investments, leveraged buy-outs of medium-

So far, about SKr7bn has been invested in that effort, mostly to refresh its portfolio - as it has outside Sweden. "We are doing done during 80 years. quite well on the private equity side, but new investments take time to deliver." says Mr Wallentechnology and healthcare - two

of our main growth areas." In the meantime, he emphasises that investor will continue

We have been through an intensive period and we are doing our best to perform," says berg. "We are also trying to beef Mr Wallenberg. "But we are not up resources to find more going to change our ownership investments in information philosophy, you will have to wait

stakes in underperforming stocks MANAGEMENT MENTORING

Many a pitfall in the path of the adviser

It can be torture for a protégé. Victoria Griffith is advised on what makes a successful mentor

Everyone is talking about and have one to set ahead. Yet according to Chip Bell, author of Managers as Meniors', recently published as a paperback, most attempts at mentoring are so is vital for mentor and protegé clumsy, they turn into torture alike, as companies increasingly sessions for the protege.

Some mentors fail because they are too patronising, says Mr Bell. others because they are too overbearing. One of his early mentors was a disaster because he was too helpful. "He was so concerned about me making a mistake that he would rush in and rescue me before I had a chance to figure it out on my own."

Even positive qualities can be problematic. Mentors should beware of the role of comedian. for example, as it can get in the way of learning, "A few jokes can crack the ice," says Mr Bell, "But if there's more laughter than think being a good mentor means learning, there's a problem."

most organisations need:

decisions are based on:

cerned about employees':

2 When I evaluate people, my

3 Leaders should be more con-

4 When people I depend on

make mistakes, I am typically:

6 in a conflict, my emotional fuse

A fewer B more

A mercy B justice

A rights B feelings

A patient B impatient

A the theatre B a party

5 in general, i prefer:

A long B short

Are you a good mentor?

1 When it comes to celebrations, others in ways that are:

7 I prefer to express myself to candid to be a good mentor.

Mentors can also lead their promentors these days: it têgês astray by doing too much seems you must be one cheerleading. Short-term excitement quickly dissipates, Mr Bell explains, if the protégé gains a false sense of security.

Getting the relationship right see such on-the-job guidance as the best way to train employees. The success of General Electric of the US is sometimes attributed to chairman Jack Welch's success as a mentor. "Jack Welch knows just how to get the best out of people by encouraging them to learn as they go," says Mr Bell.

The best way of becoming a good mentor, he says, is to become a good listener, push employees to take risks, and give good feedback. Constructive criticism is just as important as encouragement. "A lot of people never saying anything negative.

8 When I am blamed for some-

thing I did not cause, my initial

9 People are likely to see me as:

10 My work and social life are:

More than five Bs? You are prob-

ably a great mentor, although you

should be careful not to over-

Fewer than five Bs? You will

have to become more open and

A separate B often overlap

A indirect B direct

A listen B defend

whelm your protégé.

A firm B warm

What that does is just create dishonest relationship.

Establishing rapport is important. Even very different individuals can usually find common interests. Mr Bell describes the relationship between Jack Gamble, an outgoing southerner, with Tracy Black, a sombre northerner, at a Georgia plant of computer company Gracie-Omar. The two discovered they shared an interest in hunting. Exchanging copies of the hunting magazine Field and Stream helped bridge

The role of the mentor is changing, says Mr Bell. As corporations become more decentralised, mentoring may need to be conducted long distance. Some relationships may be completely milked in a few sessions; others may flourish over a decade. Some managers, however - perhaps as many as 30 per cent, in Mr Bell's estimation - will never be good mentors because they do not relate well to other people. The rest need a lot of guidance.

The hierarchical nature of mentoring is disappearing as organisations flatten. The ideal teacher is not necessarily someone a few rungs up the ladder. ing relationships Mr Bell says he has seen was the general manager of a Marriott hotel, who asked an entry-level front desk clerk to help her improve her presentation to customers.

"The manager had an abrasive style, and saw in the desk clerk something she could learn from. A mentor doesn't necessarily have to be your superior." Managers as Mentors by Chip Bell. Published in US by Berrett-Koehler (\$16.95). UK by McGraw Hill (212.99). Or FT Bookshop: FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside UK). Free p&p in UK.

The wise company of fools Modern bosses are surrounded by people who are either sycophants or

enemies; what they need is someone who will tell them the truth Ageina Manager seeks Value Proposition. This idea

appointment as court jester or fool to chief executive of large public company. Will provide own ladders and fool's cap. This curious advertisement

caught my eye in Director magazine. I faxed the number and tracked down the jester who turned out to be a military type who had done time in a couple of multinationals. According to him, chief executives need fools just as much as kings used to. people who are either sycophants or enemies: what they need is someone who will tell them the truth, be their conscience. That comeone needs to be outside the hierarchy, fearless and worldly wise. In short, he or she needs to

Great idea, I said. How many far-sighted chief executives have responded to the ad? Er, only journalists so far, he said. And that is just the trouble.

Chief executives may need fools. but they are most unlikely to want them. The last thing the average chief executive wants to be reminded of as he sits trying to pen his annual message to shareholders is the truth. It is surely bad enough balancing all the demands of the job without an irritating voice reminding you of all the things you are working so hard to forget.

Think. What is so great about your job and your employer? Got it? Good. Write it down in a snappy phrase, and you have created a brand. Not any old brand, an EVP, an Employee

comes from McKinsey and is intended to help companies hire

and keep the best people. According to the Harvard Business Review, McKinsey has been addressing the problem of nurturing talent

The consultant has come up with several ideas: pay the best people well, weed out the mediocre, make line managers responsible for developing those below them. These suggestions are so obvious that surely you don't need to be McKinsey to come up with them. Thus the consultant has tacked on this fancy EVP idea. "It's a brand positioning aimed at employees rather than customers," is how a principal at McKinsey puts it. All of which reminds me of

omething the great Peter Drucker said to Fortune magazine. According to him 90 per cent of all jobs are boring and

are so bored, says Drucker, that they succumb so easily to every new craze.

Were Drucker to think up an EVP it would along the following lines: "Come work with us. We are so bored that we spend our lives thinking up EVPs".

I like the UK government's idea of encouraging companies to set up libraries for their workers. It would not cost much: most of the books could be supplied by the workers - all those Stephen Hawking and Don DeLillo that

you know you are never going to read. The public library no longer fits in with most workers' lives: it is always closed due to staff shortages, and most of the books have their pages glued together with baked beans - or worse. Less bright is the



books-for-babies idea. Retailers Sainsbury's and Boots are trying to suck up to the government by giving books to the under-ones. In my experience the under-ones love books; that is, they love to

chew them and tear them. There are lots of explanations for the fact that we Brits are so illiterate. Our failure to start reading while still in nappies happens not to be one of them.

Today's post brought a letter from Sir Stuart Hampson, the boss of the John Lewis stores and chairman of something called the Centre for Tomorrow's Company. "Dear Ms Kellway" (sic), he

you a personal invitation to be associated with Tomorrow's Company. There is increasing evidence that we are succeeding in making 'inclusiveness' part of the language of business. So far so bad. One spelling mistake, one grammatical

mistake, one stylistic nightmare. Then I realised this very personal invitation was for me to part with my money. Not only does this organisation need funding for research, it needs to provide speakers for platforms (over 100 a year)". The idea that I should give money so they can pay some jumped-up expert to preach inclusivity (inclusiveness? both nouns are dreadful) takes some beating. This was the fourth request for money in four hours. The others were from: my old college: the junkle who camps out at the bottom of our street: and a man in the Underground shaking a can. So far I have given nothing to any of them. But the first three at least made me feel guilty.

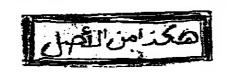
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So if we ever have our heads in the clouds, it's for one reason only. To keep our fingers firmly on the button.



THE ALL AND LINE

Political mover ready to shake up Berkeley

Christopher Parkes finds Clinton's former economic adviser has firm ideas on how to move the Haas School up the rankings

students is doing its bit to maintain UC Berkeley's radical traditions. In baggy pants, ragged haircuts and fine voice, they can just be heard beyond the fire exit, ranting about the "job killer" at the podium inside the Haas School of Business.

Tyson, the school's new dean, seated uncomfortably close to the door, affects not to hear. Her former colleague Alan Greenspan has all her attention. Despite the deepening cri-

sis, Mr Greenspan, chairman of the federal reserve, has kept a promise to his friend. the former national economic adviser to President Clinton, who left the White House at the end of 1996. He has other business in

San Francisco. He will later join Robert Rubin, treasury secretary, in trying to persuade Klichi Miyazawa, his counterpart from Tokyo, of the need for economic reforms in Japan. But first. he will help Ms Tyson with her own reform project at

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Media coverage of the visit from the most important monetary policy maker in the world is a coup for the modestly-ranked management school, bringing it exactly the sort of statusbuilding publicity it needs. The presence of Ms Tyson

has already brought an air of professionalism to this corner of the University of California, Berkeley campus. Her agenda is as sparse as

her still-unfurnished office: in five years - more likely less - she intends to elevate Heas from its position as about the 10th-ranked US business school to a slot more in line with that of Berkeley as a whole.

"UC Berkeley has the largest number of graduate programmes ranked one, two or

we're it!" she says. Among business schools, Haas rates fourth in quality of students, but the understaffed faculty is only seventh, and, Ms Tyson says.

Berkeley deserves better. She started her term as dean in July encouraged by the "sense" that the univer-But Laura D'Andrea sity administrators were ready to buy into her conviction and, importantly, allow Heas the flexibility to find its own way ahead rather than fighting for scarce funds with other, more successful UCB schools.

Recognition of the need for a new approach dates back to the late 1980s, when California was smitten by recession and a record budget deficit, she says. "If Berkeley is going to maintain and strengthen its greatness, it is going to need more flexibility or autonomy in two senses," she says.

One is to glean more revenues from non-state sources. and the other is to have more control over curriculum and management. Ms Tyson's cautious framing of ber free market policy will mark a clear, and potentially politically fraught departure from established UC ways.

"We come out of a tradition where programmes are funded by the state, and the allocation of resources is basically run at campus level or at a [university] system-wide level with the interests of the state in mind," she explains.

At Heas, she sees possibilities for more endowments and revenue streams from self-supporting programmes beyond the usual daytime MBA and undergraduate courses. They include weekend and evening MBAs and lucrative offerings for execu-

Flexibility will include the ability for Haas to price its own "products" and retain three in the US: better than at least some of the revenues

of Harvard and MIT. I mean to fund growth, Following the model established by some other public US universities, Haas would share its income with the central

campus, Ms Tyson proposes. "The ability of any individual unit to run a programme is partly a result of using the Berkeley name and reputation. We use Berkeley facilitles and think (sharing revenues] is a perfectly reasonable way to recognise

How "reasonable" this approach is considered among Sacramento politicians and bureaucrats has yet to be tested, but Ms Tyson, a Democrat, has connections deep inside the US educational establishment. and her credentials - and

'While we can make the case for expanding here, we can't make the decision'

diplomatic skills - have been greatly bolstered by her bout in Washington.

She makes a persuasive "common cause" case that her plan is a sound way to enhance the fortunes of the UC flagship and the school in her charge. But she harbours few doubts about the complexity of its promotion and execution.

"Now. suppose we gener ate revenue: can we use it in ways we think are most suitable to improve the quality of education?" This bottom-line question raises big issues, she says,

which will challenge the tradition, for example, that state-funding and faculty hiring are interdependent. But there are other "little issues" which must also be trol over application fees. She claims a "huge increase" in applications means the school must divert more resources to processing them. "We want to charge more but it is not something we can do unilaterally," she Heas wants to increase the

size of the MBA programme Sacramento) but now needs permission from the state

Business schools at Stanford (California's premier private university) and Harvard are in major growth modes now, and while we can make the case for expanding here, we can't make the decision. The case she makes high

lights Hass's deficiencies relative to the leading business schools, which include overreliance on adjuncts, outsiders and visitors to fill gaps in the faculty. And while Ms Tyson boasts of a strong core in professional education, Haas currently offers only a meagre range of elective or optional courses. Main points of weakness

include health, production and information technology management. Production technology courses are popular, and half a dozen are offered in conjunction with the UCB engineering school. But while demand calls for more, "we don't have the people power".

Ms Tyson is shocked at the "dearth" of expertise on contemporary China at Heas, given UCB's location on the Pacific Rim, its big contingent of students of Asian origin, current economic developments, and its tradition as a focus of Chinese immigra-

numbers, Hass' predicament appears even more alarming. According to an external review committee, the school ideally needs between 20 and 26 new faculty members - up to 40 per cent more than now - to teach its addressed, such as state conexisting student body.



Fighting talk: Tyson's free market ideas may clash with

additional staff would still leave the school lagging behind rivals such as the Anderson School at UCLA, Stanford and Michigan, which Ms Tyson uses as her

benchmarks. Haas still depends on the state for 42 per cent of its income. Tuition and fees account for 43 per cent, with per cent and 6 per cent from endowments and

annual gifts respectively. Tradition, and the perception that education was paid for by taxes, have weighed heavily on UC campuses. built on philanthropy, and never thought of going out to find funds among alumni," Ms Tyson says.

But that is changing even before her scheme is approved. As part of UCB's New Century Campaign", Haas is already 80 per cent of the way towards raising its quote of \$75m (£45.4m) towards a grand target of

The spread of Haas alumni has awakened them to the importance of private support for education. And even

Even reaching a provi- the smallest concentration of alonal interim target of six Haas people, it is by far the school's biggest source of private funds.

Ms Tyson, still a regula east coast visitor, has a tight schedule and will have no more compunction about calling on Haas's former students for cash than she had about summoning Mr Greenspan to make his contribution. And it may not be long before she herself is in a position to help out.

In education most of her life, teaching at MIT, Princeton and Harvard, she says the profession allowed her the flexibility to design her

although acknowledges that her stint in Washington qualified her for a shift into the lucrative New York private sector, she once again chose the flexible option best suited to the eds of her son, 13 years old at the time.

Now, her boy is three years away from college, and the presidential election and fresh options loom. "I've told my colleagues I'll see where it's at in three years. I'll look at the scenarios then and may find I want to go some-



Said graduates competitive in any field

Two graduating MBA students from the Sald Business School, at Oxford University, are proving that they more than just proficient managers.

Roopa Unnikrashnan has taken the gold medal for India in the Commonwealth Games in Malaysia in the women's sports ritle event. The competition took place only a few days after Ma Unnikrashnan completed her

MBA course. Likewise follow Oxford MBA Matthew Anand flew out to Malaysia to compets in the 200km team cycle race for his native Canada. The team won a bronze. Said Business School: UK 1865 228470

Funding for student funds

Wall Street financier Michael Price has given \$2m (£1,2m) to New York University's Stem School of Business and the Michael Price College of Business at the University of Oklahoma to enable both institutions to set up student-managed nvestment funds.

The income generated by the funds will be used to provide scholarship and programme support for participants. The students selected to participate in running the funds will be known as Price scholars.

Fair choice of programmes

For those Europeans overwhelmed by the choice of MBA programmes, the best place to start in. selecting a programme may be one of this autumn's MBA fairs.

The Euro-MBA Tour '98, organised by the

Professional Careers Group, starts in London on October 7 and then travels to Paris. Amsterdam, Munich and Madrid.

By registering in advance. participants can meet representatives from some of the big recruiters as well as the business schools. Euro-MBA: www.topmba.com

Environmental management

For managers with a "green turn of mind, the European Association for Environmental Managemer Education (EAEME), a grouping of European iniversities, is running a European masters programme in environment

nanagement. The one-year programme, which begins in October is project-based and can be taught in several European languages. Fifteen universities participate in EAEME, including Erasmus in the Netherlands, Imperial College in the UK and the University of Bologna in

EAEME: www.jrc.org/eaeme/

Family honour

The Spanish luxury goods maker Puig will receive the 1998 Distinguished Family Business World Award from IMD, in Switzerland, which specialises in executive training for members of family businesses.

The Barcelona perfume and fashion house controls brands auch as Nina Ricci. Paco Rabane and Carolina Herrera. Previous winners of the award include toy maker Lego and French fashion

Puig, which will receive the award in Paris later this week, has been honoured for its geographical expansion. IMD: Switzerland. 21 618 0111

for News from Campus should be sent to Della Bradshaw The Financial Times, One Southwark Bridge, London SE1 9HL Tel. 44 17: 873 4673 Fax 44 171 673 3950



European prize for the best business law student



The FT/Freshfields European prize is open to students who are specialising in business law and are about to embark on their professional career. Heats will be held in London, Marseilles, Milan, Cologne, Brussels and Madrid, and the two winners from each heat will go through to the European final which will be held in Paris in December.

If you would like to enter and have

- Examination results which put you among the top business law students
- A thorough knowledge of business law and a good understanding of EU law
- A command of at least two European languages, including English

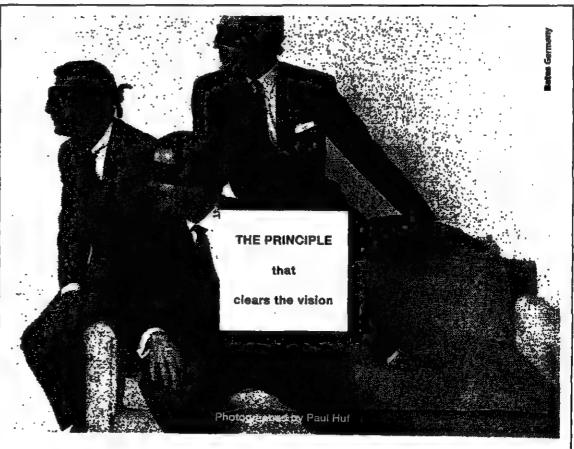
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But at last a solution to the problem of cabin noise is on its way. Ultra Electronics, a British company, has a noise-cancelling system for wide-body aircraft which, it claims, will halve the amount of perceived noise. Fitted into individual seat headrests, the "Ultra Quiet Seat" system consists of an active noise control unit linked to a set of tiny microphones and loudspeakers. The microphones relay the ambient noise level to a digital signal processor, enabling the speakers to emit an identical sound continuously in an inverse phase, which effectively can-

cels out noise.

Marcus Gibson

looks at a headrest

There are few more

sengers disembark after a

long-haul flight. Like a

bunch of prisoners released

from a long spell in captiv-

ity, a line of weary strag-

glers tramps through the

arrivals lounge, their ears

ringing from hours of inces-

dispiriting sights than watching pas-

solution to aircraft

cabin noise

sant noise.

While the system does not work if the passenger moves away from the headrest, it provides an effective if localised haven of relative peace. Mainstream aircraft produced by Boeing and Airbus are not fitted with noise reduction systems, but British Airways and Scandinavian Airlines are in discussion with Ultra Electronics.

"If passengers put their heads against the headrest they will experience significant improvements in comfort," says Laurence Earl, Ultra's marketing manager. It also belps passengers hear what their immediate neighbour is saying.

At \$500 (£800) a seat, Ultra's interior "hush kits" are clearly aimed at the business traveller. "Major operators have so far concentrated halving of noise levels. on fitting bigger seats," says Since 1995 the Cambridge- phones and vibration-sensi-



Mr Earl, "But we believe the introduction of a much quieter seat will give airlines a significant competitive advantage."

Aerospace engineers say in-flight noise levels of widebody aircraft such as a Boeing 747 stand at about 80 decibels, caused mostly by and even air conditioning, rather than jet engine noise or vibration. Although the Ultra Electronics says comensure travellers perceive a Utilising a sophisticated net-

systems for civil aircraft, has fitted its equipment to about 250 regional jet and turboprop aircraft, including the Bombardier Dash series, and Saab 340 and 2000 series. Noise in these aircraft types has been reduced to the passing air, exhaust noise same level as larger aircraft by fitting not headrest but full cabin-wide systems. These combat a different, new system produces a more tonal and lowreduction of 10 decibels, frequency type of noise and vibration - primarily from plex psycho-acoustic factors jet and turboprop engines.

based company, a world tive attentuators mounted leader in noise reduction along the length of the fusealong the length of the fuselage, cabin-wide systems have muffled this once notoriously loud class of aircraft.

So successful has the existing technology proved with industry operators, aircraft manufacturer Bombardier announced at the Farnborough Air Show earlier this month that it was renaming its Dash 100 aircraft as the Q100 series - Q for Quiet. If airlines respond quickly enough to passenger demands for markedly higher standards of comfort then flying long-haul will work of up to 72 micro- not be such a numbing test of enduration.



Manila visitors face further air disruption

Travellers with business in Manila will face further disruption if, as threatened, Philippine Airlines shuts up shop altogether next Monday. A crisis forced by the Asian economic downtum and a crippling pilots' strike in July has already forced the carrier into a drastic pruning of international routes. It no onger flies to main European, Middle East or Australian cities. But it still operates to a number of Asian destinations - flying daily, for example, to Singapore, Hong Kong and Taipei - and to Los Angeles and San Francisco. If the airline bites the dust. passengers from the two West Coast cities will have to fly with Cathay Pacific via Hong Kong, where they will have to wait only one hour before continuing to Manila, with Northwest via Tokyo or Singapore Airlines via Taipei.

Checking out freguent flyers

An independent survey of eight frequent flyer programmes shows American Airlines and British Airways are the most generous - and Air France, Delta and Lufthansa the meanest, writes Gillian Upton.

The comparison is based on the number of return economy flights between London and New York required to gain one free economy class return ticket to Amsterdam, Brussels, Dublin or Paris. According to the survey, you would need to fly 3.6 times to New York on Delta or Lufthansa and 2.8 times on Air France to qualify. On British Airways the requirement would be only 0.6 times, and on American 1.4 times. In between are Virgin (1.7),



economy class ticket to the

you would need to take only

Big Apple. On Air France

Surfing rooms

Business guests at about

100 Choice hotels in

Scandinavia are to be

offered pre-paid cards

"loaded" with internet surfing

time. The system is already

operating at some hotels

at others throughout

for four hours.

Norway, Sweden and

and will soon be phased in

Denmark. The cards, which

also cover fax transmissions,

cost £12 for one hour or £23

Guests at Copenhagen's

Amsterdam's Hotel Okura

are able to access the

Virgin lounge

start flights between

lounge at Gatwick.

Heathrow and Moscow.

tomorrow opens its new

Virgin Atlantic, which last

week won permission from

the Civil Aviation Authority to

The airline is expected to

operate an A320 Airbus on

the Russian route. It may not

be able to launch the service

winter schedules on October

25 but hopes to start flying

at least four times a weak

scon infrerwards.

in time for the switch to

internet from their

rooms.

grand Hotel d'Angleterre and

United and Continental (2.1). The survey was undertaken by the International Airline Passengers Association, the

independent business travellers' organisation. A similar picture emerges f you want to earn one free business class ticket. lapa says it takes 1.2 trips between London and New York in economy class on British Airways, but 4.2 trips on Delta, 5.6 trips on Air France and 6.8 trips on Lufthansa. But check the small print, BA awards miles only to travellers buying a full-fare economy class ticket. But you would quality for miles on Air France and Lufthansa if you bought a promotional

> Another big difference concerns who is allowed to use the accrued miles. British Airways specifies the member plus family but Air France members, for example, can nominate

> > The laps survey looked at travelling long-haul and enjoying a short-haul benefit. A survey on flying short-haul and earning a short-haul benefit would have given a different result: so too would flying long-haul and enjoying a long-haul benefit. For example, you would need to take 9.7 trips in

economy class on BA to New York to win an

Likely weather in the leading business centres · Dz () = () = () z () = Frankfurt 25 19 25 10 25 19 25 20 Los Angelles 禁草 参 xi 参 xi 禁 xi 禁 xi * & D = D = D = D =

China openings

Marriott is to manage a 531-room hotel in Chongqing, a manufacturing city in south-west China. The hotel is some 30 minutes' drive from the airport and will have five restaurants - serving Chinese, Japanese and western food - a swimming pool, fitness centre and meeting rooms. It is due to open in mid-1999. Sheraton has opened a new hotel an hour's drive west of Shanghai in Suzhou.

Debonair launch

Debonair, the UK carrier, is to launch what it claims are the first scheduled flights to Paris Express airport at Cergy-Pontoise, north of the capital near La Defense. The carrier starts the daily services from its Luton base to Paris Express airport. which is about 35 minutes from the centre of town by taxi or RER train, on November 18.

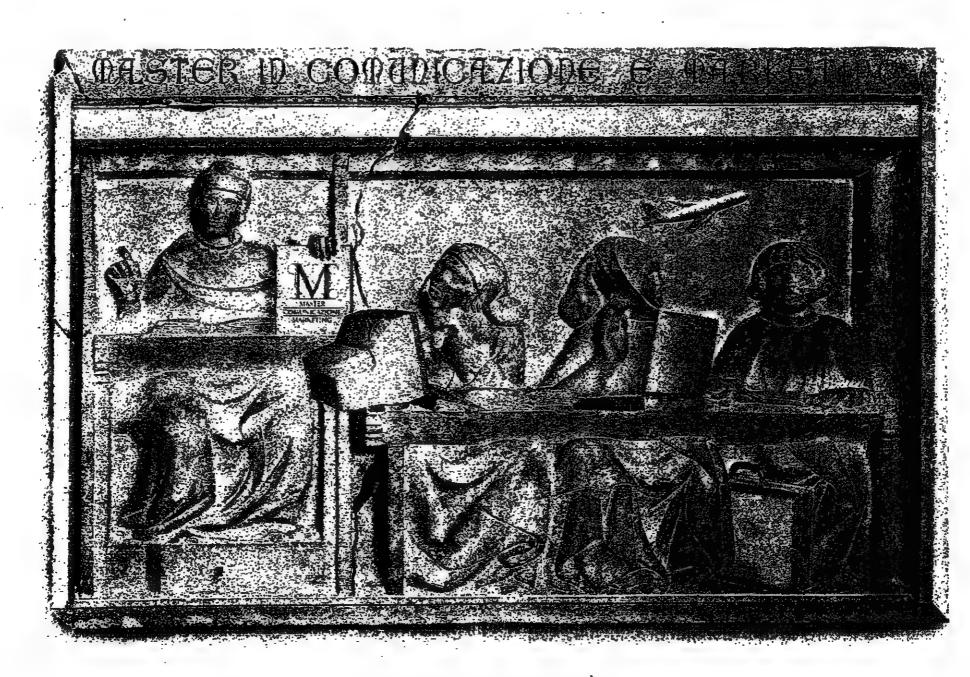
Oslo switch

Oslo's new international airport at Gardermoen will open on October 8. Operations will then switch from Fornebu which is to be closed, Gardermoen, 30 miles north of the capital, is connected by rail. The 30-35 minutes but it will be reduced to 20 minutes when a high-speed link is

Rotterdam flight

New flights between Manchester and Rotterdam are being launched today. The three-times daily service ls a joint venture between KLM uk, the Dutch airline's British arm, and Antwerp-based VLM. The two carriers run a joint operation between London City Airport and Rotterdam.

Roger Bray



Italy, 2000 A.D. (circa)

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TIM JACKSON ON THE WEB

Six degrees from success

Two online companies with a single shatteringly simple idea are prospering

"If you build it, they will come," says one of the characters in the movie Field of Dreams. Taking his advice, the sports-mad farmer played by Kevin Costner installs a full-size baseball diamond in one of his cornfields.

On the internet, this advice is exactly the opposite of what smart companies do. To see why. look at www.sixdegrees.com a web site set up by New York-based MacroView.

The idea behind the web site, borrowed from the play of the same name, is that everyone in the world is connected by a chain of mutual acquaintances no more than six people long. So if you have a question to answer, or a problem to solve, someone at the end of a chain of people who know people you know will be able

You join up by being invited into the site by an existing member who has named you as a connection. Once inside, you confirm the relationship they reported. and then have the opportunity to propose other people you know. This places you at the centre of a set of concentric circles of acquaintances, friends. colleagues and relatives, who can answer questions you post on a bulletin

Unfortunately, there is an intellectual flaw at the heart of the idea. True though it may be that someone will help you because they are a friend of a friend (a second-degree connection). It is much less likely that a sixth-degree connection will be willing to help you simply because you are their friend's cousin's client' wife's hairdresser's mother

A technically superior implementation of the same idea can be found at another web site run by a Pittsburgh company, which abbreviates the six-degrees-of-separation phrase to www.6dos.com. Here, the rules of market economics are being harnessed; the system allows people to offer a reward for the answer to their question, and allows intermediaries the links in the chain - to take part of the reward for their part in forwarding the question to the person who can answer it.

In February 1998, when these companies were last covered in this column, the New York company was winning despite the flaws in its idea. Andrew Weinreich, argued that people would be more likely to participate in the system because it was cool than because they

was right. Mr Weinreich's theory looks increasingly compelling. Last month, the unow,sixdegrees.com site received 9m page views, and showed advertisements on about 80 per cent of the pages. This month, he says the page views are likely to

cited 410,000 users of his

service as evidence that he

top 14m; next month, 20m. The company signed its millionth member earlier this month, and hopes to reach 2m by the end of 1998 and 10m by the end of 1999. It now has 25 employees, and is trying to recruit another

Mr Weinreich also says he is about to close a new funding round, bringing in significant new money in addition to the \$3.5m seed capital raised from 40 high-net-worth New Yorken that has paid the bills

In addition, Mr Weinreich has rolled out some new services. Since the six degrees that gave the site its name are no longer central to the idea, the site now allows someone who wants to find a tennis partner living nearby to search the entire million-strong database, not merely friends of friends. The site also offers instant messaging between people using the web site at the same time. and an ability to look very widely at the concentric circles of contacts

you have. Since signing on to the sarvice, I have been irritated by the number of e-mailed ssages sent to me by the system on behalf of people looking for apartments in New York.

Mr Weinreich says the company plans to implement filters in the fourth quarter of 1995 which will allow users to say no thanks to inquiries and questions, such as real estate

The difficulty, he says, is marrying the filters at both the receiving and the sending end. Most interestingly, he also plans to roll out "some kind of expert module" in which questions can be forwarded to self-appointed experts in given areas.

If Mr Weinreich succeeds in doing so, this will offer conclusive proof of what should now be called the Field of Dreams theory. For originally the underdog as measured by functionality.

a company," he says, "You then go for the members, or build the membership and then flesh out the technology." Mr Weinreich went for members - traffic growth - before all else. And he was right.

tim.jackson@pobeac.com

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TECHNOLOGY UPDATE DATA DELIVERY BY SATELLITE

Battle for the skies hots up

Satellite TV operators pose a threat to the traditional VSAT suppliers. says George Cole

THEN: Two years ago, the satellite data delivery market was growing in Europe. Satellite data systems deliver data and internet content at high speeds to desktop PCs or network servers. The delivery process is much faster than telephone modems or even ISDN digital lines.

Leading users of satellite data systems include the automotive, retail, banking and credit card sectors. These customers use a two-way link known as VSAT (very small aperture terminal) which connects a PC to a satellite dish.

NOW: The VSAT market is by a telephone connection' still growing, but traditional VSAT suppliers are being challenged by satellite TV operators, who are also planning to offer fast data services, along with digital television programmes. Satellite data services used to be aimed at corporate groups, but small and medium-sized companies and even individual consumers are now seen In 1994, Hughes Network

Systems and Olivetti Telemedia formed Hughes Olivetti Telecom (HOT), with the aim of offering companies high-speed multimedia services via satellite.

The company says the satellite data market accounts for about 4-5 per cent of the general telecommunications market and that this will double in the next 10-15 years. By 2000, it predicts, every European business location will have a satellite HOT offers two satellite

data services. HOTStar is a VSAT service designed to deliver data to branch or stores locations

says DirecPC has several applications, including "turbo" internet, which offers internet content at data speeds of up to 400 kbps (the fastest telephone modems offer speeds of 56 kbps), enabling a 400-page document to be delivered in less than a minute.

High speed delivery makes satellites very costeffective when compared

'I can see digital TV viewers being offered a carouse) of the top 500 websites, which they could request

INSIDE TRACK

on a national or pan-Euro- with pean basis. DirecPC is a satellite broadcast service which uses a PC card and a small satellite dish (60-80cm) costing interest in delivering interabout £590.

The cost of the DirecPC service varies from £25 a month for consumer users to more than £2,000 a month for companies needing to deliver division at Nokia Multi-

other systems. says HOT. At the same time, the growth of digital TV services across Europe has led to

Helmut Stein, senior vice-president of the new technology and operations

net content as well as pro-

media Network Terminals, says: "Television pictures are transmitted from satellites at speeds of up to 38 megabits a second, so fast internet services are feasible. I can see digital televicarousel of perhaps the top 500 websites, which they could request by a telephone

connection to the broad-

mation technology company, and British Telecom of the UK. The service, which begun operating at the start of the year, is used to link II without countries. Last October.

George Cole looks at a flexible and cost-effective solution to traditional communications systems

Delivery via the

satellite route

The satellite operator Eutelsat (European Telecommunications Satellite Organisation) has developed Convergencel, a system which uses the European Digital Video Broadcasting (DVB) standard to deliver a mix of digital television pictures, internet content and multimedia materials via a Hot

Bird satellite. By using a DVB-compliant set-top box, a PC card, dish able to access internet pages on their PC and digital TV programmes on a television.

Future versions of Convergencel will allow users to view internet content on their TV, and to watch their PC.

service in the UK, with partners BT Broadcast Services and the internet service pro-

The Luxembourg-based satellite company Société Européenne des Satellites. (SES), which owns the Astra series of satellites, may be one of the largest satellite TV operators, but the company also has its sights set elsewhere "Markets such as data

delivery and multimedia will form an important part of our future business," says Romain Bausch, SES's director-general. SES has formed the Astra-

Net service, in which shareholders include Intel. Deutsche Telekom and Hughes Network Systems. Using a platform known as the European Satellite Multi-

media (ESM) service, Astra-Net delivers data to suitably equipped PCs at high speed. Astra-Net PC cards sell for about \$250 (£150) each. although this is expected to fall to about \$150 by the end

SES also plans to offer satellite data services to large

public sector and consumers from two new satellites. Astra 1H (launched later this year) and IK, due to be launched in 2000.

Canal Plus, the French pay-TV company, has teamed up with Cegetel, America Online and Bertelsmann and plans to launch a fast internet service in France this autumn.

OCC

The service will deliver internet content to PCs from satellite at speeds that are at least 10-15 times faster than standard telephone modems. Satellites may even deliver

data and internet content to airline passengers, says Veronique Blanc, a product manager at SITA. an air transport telecommunica-Hons company.

Ms Blanc notes that passengers can already access telephone and fax services while in the air, thanks to satellite systems.

Modem connections initially offering air passengers e-mail facilities should be available this year, she says, with faster connections offering internet surfing coming in around 2000.



NEIL BUCKLEY FILE FROM BRUSSELS

Time to stop making allowances

The allocation of MEPs' travel costs has become a Europe-wide controversy. If it is not resolved soon, it may alienate ordinary citizens from the whole EU concept

The departure of the monthly Brussels to Strasbourg parliament express is something to behold. The pistform at Brussels Leopold station located these days in the basement of the European Parliament's \$1bn Eurocrats armed with filled with documents are

headquarters – teems with overnight bags. Metal trunks heaved on to the train for the five-hour trundle south. The scene smacks of a new term at boarding school. The mass transit by rail of

Brussels-based support staff There are two ways to build and assistants is only part of the monthly ritual. Parliament members converge on Strasbourg from constituencies in all corners of the European Union, from But the generous allowances MEPs get to pay their travel costs is at the centre of a controversy that

threatens to cloud the Europe-wide elections which members face next June. Unless they tackle the problem soon, some MEPs fear it could further increase voters' apathy towards the one European institution they directly elect.

Pressure for change is mounting. At June's Cardiff summit, parliament's president, the affable polygiot Jose-Maria Gil-Robles, got an unusual verbal mauling from EU heads of government, who accused parliament's gravy-train image of alienating ordinary citizens from the whole EU concept. The EU's spending

watchdog, the Court of Auditors, last month released a stinging report warning that parliament's allowances system was wide open to abuse. But such are the divisions caused by this apparently

mundane issue that parliament's political leaders last week balked at adopting either of two competing plans to change the system They did what parliament does best: set up another working party to examine

the question further. "What kind of a messa does this send?" sighs Alan Donnelly, leader of British Labour parliament members "It's taken us longer to sort out MEPs' expenses than it did to adopt all the legislation to cope with German reunification."

At the heart of the row is the system of paving lump sums based on the distances constituencies to parliament meetings in Brussels and Strasbourg, instead of reimbursing actual costs.

The Court of Auditors found MEPs' travel bill in 1996 was a massive Ecu27.6n (£18m) - 30 per cent more than if members had flown every single journey business class. Yet many MEPs travel by train, car or economy flights to parliament; some even get reduced fares on their

national transport systems. Travel allowances averaged Ecu75,597 (£50,000) per MEP, a third of the Ecu227,805 total expenses

each received on top of their But why can MEPs not just accept reimbursement of their actual costs? The

angwer is that travel allowances are stretched to cover needs they were never designed for, ironing out deep-rooted inconsistencie in the way the embryonic Europe-wide parliament operates. Some members from southern states privately admit that profits made from manipulating travel costs help supplement their meagre pay.

The fact is that, to avoid salous spats if MPs in London or Lisbon found their MEP compatriots earning more than they did, European parliamentarians earn the same as members of their respective national assemblies, and are paid from national, not EU.

The result is huge pay disparities between MEPs from different countries, doing exactly the same job The Greeks and Spanish, the lowest-paid, earn less than a third of the Italians, the top earners. At the same time. the poorest paid MEPs are often from the farthest-flung countries, and benefit the most from distance-based travel payments. Some MEPs also use surpluses from their | government – whom they home-to-Brussels allowances | blame for forcing parliament to make up for inadequacles in the payments designed to cover travel costs around their constituencies. Spanish members, elected by proportional representation from national lists, say their the whole of Spain, making

constituencies are effectively touring round to woo their voters a costly business. Parliament wants to tackle the travel allowances problem by adopting a statute that would regularise all aspects of MEPs' conditions – including

pensions, social security, expenses for constituency travel - and set a common salary, paid from EU funds But that needs the backing of EU heads of government. While states such as Portugal, the Netherlands. Spain and Sweden have indicated they might be in favour, others, such as the UK and Germany, mindful of

the potential sensitivities with national parliaments. are reluctant Some MEPs say that . unless EU states are prepared to grant them a proper status, they are disinclined to tackle the

allowances problem. Euro-parliamentarians tend anyway to be somewhat bolshie about demands to put their house in order

to continue to meet, for historic reasons, in both Strasbourg and Brussels Some suggest this peripatetic existence does more to damage parliament's proper functioning – and credibility – than petty rows about travel costs. Attempts to reduce the

number of week-long Strasbourg sessions, fixed by the Maastricht Treaty at 12 a year, always meet furious French opposition. Suggestions of such a move are seen by the French, who are desperate to hang on to the only EU institution on their soil, as the thin end of the wedge.

With no parliament sessions in August, when the whole EU virtually shuts down, the assembly must hold two sessions in Strasbourg next month to meet its yearly quota_

That gives MEPs two more chances to tackle the allowances system before their president next confronts heads of government at an informal summit in Austria on October 24. But the real concern if they continue to duck the issue is not any ticking-off Mr Gil-Robles might face from EU leaders. It is the way voters might react next June

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CONTRACTS & TENDERS

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rd de l'Indénié « Telephone ; (225) 22 22 31 - 22 22 32 - 22 22 36 Fax : (225) 22 22 35 Bids will be publicly opened on the same day. Thursday November 5. 1998 at 12:00 a.m GMT at the privatesation Committee's offices (as above)

Buls should be received by no later than Thursday, November 5, 1998 at 9:00 a.m GMT at the Privatisation Committee's offices at the following address: PRIVATISATION COMMITTEE

Fight jargon and win £500

If you hate gobbledegook and want to further the cause of plain English. enter a competition being run, for the second year, by the Financial Times

This is your chance to get your own back on your professional advisers. At the same time you could convert, with a clip of the aclasors, the annoying rubbish filling your in-tray into a £500 prize.

We are looking for examples of jargon, pobbledegook and absurdly contorted prose from letters, reports, proposals, brochures, promotional material, books and so on, published over the last year.

Entries can be the work of any business or professional advisers, including:

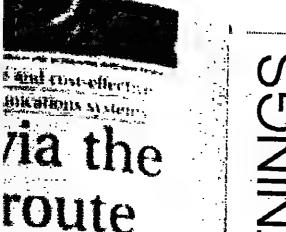
To enter the competition, simply fill in the form below (abahannies accepted) enclosing an example of the worst gobbledegook written or published since September 1 1997. No individual may submit more than one entry. Examples must be in English and should be no longer than 300

Entries must be received by October 16 1990. The top three address will each receive a cash prize of £500 and a collection of the best examples will be published in the Financial Times in November.

Financial Times/Management Consultancies Association **Business Jargon Competition** Entry form Entries must be received by Friday October 16 1998 The FT/MCA Business Jargon Con 71 West Halkin Street Loadon SW1X 8.U 整理 建氯化物 (1) On (eather date)

associated publicly with this submission, please tick this box

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TERMEN MESSELLA STATE MARKET

BOSTON The museum world's mania for Monet continues with an exhibition of over 90 works painted by the artist in the lest decades of his life, it opened vesterday at Boston's Museum of Fine Arts and transfers to the Royal Academy of Arts in London in January.

NEW YORK

The Metropolitan Museum's extensive collection of early Netherlandish paintings is showcased tomorrow in an exhibition of 140 works by Jan van Eyck, Hans Memling, Pieter Bruegel the Elder and others. On Friday, the Morgan Library unveils "Master Drawings from the Hermitage and Pushkin

Museums", many of them never

shown outside Russia.

The distinguished German conductor Kurt Sanderling



Philharmonia Orchestra's new teason tomorrow and on Saturday at the Royal Festive Hall. The programmes feature Works by Brahms and Shostakovich.

the press are invited to see The Blue Room at the Donimar Warehouse tomorrow night. Freely adapted by David Hare from Arthur Schnitzier's La Ronde, the play stars Australian film star Nicole Kidman alongside British actor lein Glen. The

director is Sam Mendes. Terry Johnson directs the world premiere of his own new play, which opens at the Lyttelton Theatre tonight. Based on the Carry On films, Cleo, Camping, Emmanuelle and Dick stars Samantha Spiro and Geoffrey Hutchings (right).

TORONTO

The Canadian Opera Company's 1998-9 season opens at the Humminobird Centre with Norma on Thursday and Tosca on Friday, Marina Meschertakova

sings the title role in the Bellini and Sylvie Valayre in the Puccini.

Berlin

The Deutsche Oper is laying special emphasis this season on the stage works of Richard Strauss, in recognition of the 50th anniversary of his death next year. The first new

production is Die Frau ohne Schatten, opening on Saturday and conducted by Christian Thielemann.

BRNO

The music of Janaček, who spen a large part of his life in this Moravian city, is the central thread of this year's 5mo music festival, opening on Thursday. There will be performances of most of his orghestral and chamber works, and a staging of From the House of the Dead.

In Paris this week, the Cuban National Ballet opens a season at the Theatre des Champs Elyse directed by the grand and splendid Alicia Alonso. The visit is part of the company's fiftieth anniversary calebrations

An exhibition entitled "Max Beckmann and Paris", opening at the Kunstheus on Friday. brings together more than 100

masterpieces of modern art. Beckmann's paintings (below) are set alongside works by Matisse, Picasso, Braque, Leger and Rouault.



Opera's persuasive voice

Ruth Mackenzie has a way with words, and Scotland will benefit, says Andrew Clark

When Ruth Mackenzie was chief executive of the Nottingham Playhouse, she inherited a Christmas tradition whereby each member of staff would pick the name of a colleague out of a hat and buy a small gift anonymously. An actor dressed as Father Christmas would then distribute the presents over drinks. 'One year I got a very nice lavatory brush," Mackenzie recalls, and the message was 'For Ruth, who has to clean up all the dirt'."

No such tradition exists at Scottish Opera, where Mackenzie became general director a year ago, but she reckons it is a fair analogy of her job. Her mantra, which she picked up on one of the management courses she now teaches, is "only do what only vou can do". She interprets it as taking the rap if all goes wrong. The fact that I am the person with ultimate responsibility doesn't mean I do it all. It's my job to try to help everyone else do what they can do. Opera is about teamwork, so if you introduce a new person to the team, it would be a failure on my part if broad-mindedness unusual

Ruth Mackenzie'." At 41, Mackenzie is rapidly emerging as one of the most visi- sprinkling her conversation with ble members of the UK arts management-speak. "Kindowerwith the Arts Council and South favourite words which character- subsidy hanging on the two com-Bank Centre marked her out as a ise her consensual style. At Scothigh-flyer, and she seems des- tish Opera, that style has yet to tined, after a suitable stint in be thoroughly tested. Scotland, for one of the big, thorny metropolitan jobs. She is which, largely thanks to her pre-on everyone's list of achievers. decessor, Richard Jarman, had on everyone's list of achievers. including Tony Blair's: she was found a measure of stability after among the leading arts figures invited to a seminar with the UK prime minister at 10 Downing Street earlier this year. "But being accepted by the establishment hasn't compromised her vision." says a former associate. "She is an excellent case of how to make creative use of inside

tracking." When you meet Mackenzie, you quickly realise why she has climbed so fast up the career ladder without making enemies. Her knowledge of opera may be thin, but she has a first-class mind and does not flaunt it. She is sociable and sassy, with no airs and

graces, and seems happiest in the artists' bar or chatting to staff over a cigarette on the step outside Scottish Opera's Glasgow beadquarters. Mackenzie smokes 40 a day, a symptom of her high adrenalin and worksholic life-

None of this explains her impact on the public consciousness during seven years in Nottingham and 12 months north of the border. One of the keys to her success is an ability to articulate the needs and concerns of the arts world in a way that enthuses the world of money and politics; another is the fact that she seems to have no personal axe to grind. If she is ambitious, she pursues ber goals in the nicest possible way and for the best possible reasons. There is something of the arts junkle in her - her only agenda is "to make better art and serve communities'

You won't find Mackenzie voicing the usual pieties about widening the audience base. She is genuinely enthusiastic about filling the theatre with young people without throwing artistic criteria out of the window. London-born and Cambridge-educated, she has a gift for languages, a deep knowledge of visual art and a European vision - adding up to a eople suddenly said 'Yes, that's among her peers. In short, she is the persuasive voice of the arts.

. This does not prevent her

She inherited an organisation years of endemic crisis, Audience surveys suggest it attracts the broadest social and age range of all UK companies. With ticket prices from £3.50 to £40, it faces none of the political problems associated with opera in London. Thanks to its small touring subsidiary, Scottish Opera is seen as genuinely national. Artistic standards remain high, as this month's Edinburgh festival production of Dalibor testified.

Shortly after her appointment, however, Mackenzie discovered that a proposed orchestral merger with Scottish Ballet part of a three-year financial sta-



with the Scottish Utilce - had panies' ability to carry out savings, it has fallen to her to find other ways of combining operations, such as by pooling management resources. Whether this is in the interests of either company remains an open question. The proposal has bred further uncertainty, and will test Mackenzie's ability to knock heads together.

Where she has made identifisense of partnership with Scot-land's local authorities, many of which have been reluctant to contribute to an organisation catering mainly for the big popu-England, Mackenzie has made a point of visiting council offices to tribute. Her campaign is based on the rationale that only by creat-

bilisation programme agreed ing the broadest sense of public purpose? Mackenzie disputes any | Cranmer gets to play the puniownership can you develop and establishment. Her early work ment" and "brainstorming" are fallen apart. With an increase in sustain the political base neces-based vision is politically fashsary to fund an art form as ionable. expensive as opera.

She makes her pitch in terms

"There are 5m people in Scotland, and they all help to pay for us. How do we do a good job for them? You don't start by saying I need more money'. You work out what your vision is, explore needs and show how you can able progress is in creating a belp. Only then are you able to say 'We need some more money'. You do it in partnership, so that everyone sees they have a stake in developing this. If the vision is good enough and it sounds like lation centres. Drawing on her it's going to work, that's the diffi-experience of community arts in cult bit. After that, getting the

money isn't so hard." But isn't all this peripheral to ask how Scottish Opera can con- the company's core function of presenting top-quality perfor-

"Our aim is to ensure that the highest quality of music theatre of "visions" and "dreams", but is part of the vocabulary of everythe bottom line is practical. one in Scotland, and to recognise that not everyone has equal geographic access. I'm not pretending you can do Dalibor to festival standard in the town hall in Lerwick, any more than you can have a heart transplant unit in how it is going to meet Scotland's every community. But you also have to recognise that the essence of making and discovering and understanding opera can be shared and used by communities in many different ways. Finding out how to do that is our most important job."

Scottish Opera's Glasgow season opens on Wednesday at the Theatre Royal with 'The Magic Flute'. Its production of 'The Makropoulos Case' is on tour in the Highlands mances in theatres suited to the and blands until October 24.

Charming date with Henry VIII

THEATRE

ALASTAIR MACAULAY

Chichester Festival Theatre

Historical fiction about fomous people allows us to screen our ignorance and curiosity with fantasy and arrapt projection. Just what went on between Marilyn and Jack Kennedy? What did Philip II of Spain think about his son Carlos and about the Spanish Inquisition? The answers to these questions have less to do with historical fact than with the workings of our minds. And usually - not always - historical fiction is something neat, cosy, reassuring, something that plugs the gaps in our knowledge with a

notion with which we like living. Take, for example, Katherine Howard, the new play by William Nicholson that wraps up this year's Chichester Festival summer season. It has bags of charm, of course. Nothing less is to be expected from the author of Shadowlands, on whose tender C.S. Lewis shoulder so many of us wept buckets.

Here, the most charming idea of all is the nicely surprising conceit that Katherine Howard, fifth wife to Henry VIII, was neither an adulteress nor a liar but a loyal truth-speaker who learnt to love her fat, smelly old husband. Nicholson is so reasonable and so clever and so consoling that he even makes us understand why Henry VIII still has her beheaded. It is all simply darling.

We know who is good and who is bad. (That is what fiction most of the performances are to means.) In this case, Archbishop tive partisan sleuth Ken Starr role, and posy treacherous Lady demeanour now expresses acute Jane Rochford gets to play Linda Tripp. We are meant to like nei- he catches the self-deprecation ther of them; and just as bad is and pretty little philosophisings the weathervane leading courtier of this monarch well enough. Duke of Norfolk

Most of the leading characters faced as Katherine, but her voice get their share of flamboyant and poise make a handsome quotable lines. Some are meant to be ironic and Wildean. Lady Jane: "Men are all the same. They only want one thing. An sion at the National Theatre two advantageous marriage." Duke of years ago, fumbling his way Norfolk (to Katherine Howard, his mece): "Your marriage is none of your business.

But mainly Nicholson has like hundreds of Tudor/Jacobean historical fiction-writers before him - Shakespeare on his mind. and Norfolk - all burnished sur-Although Katherine Howard face and actorly relish for easy gives the play its name, it is her effects. But who can blame them? husband who is the play's hero. Only to Henry VIII does Nichol-

enough for Nicholson; he must

self to God, again and again. He does so in jest: if the mother of God could enjoy an immaculate conception, then why not ugly Anne of Cleves? He does so in earnest: "This is what God must feel like," Soon he projects on to God all his own loneliness and need for love; then he projects on to God all his own sense of betrayal and pain. One feels sorry for God, who is likened to a five-times-married, faith-adjusting monarch who hates his own body and never once mentions his children.

Still, oodles of charm proliferate, It is all so sweet - to be asked to believe that one of the more famous adulteresses of English history was in fact a faithful wife and that Henry VIII was in love with her and only consented to her execution because he could not bear to share even her heart. And then to watch the Duke of Norfolk lipsmackingly torturing Katherine's

Although Katherine Howard gives the play its name, it is her husband who is the play's hero

poor former lover Thomas Culpepper and Cranmer's creepy voltes face between good cop and bad cop!

In Robin Lefevre's staging. match. One can believe Richard Griffiths when his Henry VIII says: "I hate my body": his entire discomfort. He is no autocrat, but Emilia Fox is a little too pruneimpression. I am sad to see Julian Rhind-Tutt, a young actor who made so brilliant an impresthrough the role of Cuipepper.

Jonathan Coy enjoys Cran mer's rapid changes of tone, and Frances Tomelty and Denis Quilley turn on the best kind of Chichester hollowness as Lady Jane There is something truly vulgar about this kind of how-the-greatson accord soliloquies.

Unfortunately, this is not fiction. Nicholson's soul is purest Georgette Heyer.

INTERNATIONAL

Arts Guide

AMSTERDAM

DANCE Het Muziektheater Tel: 31-20-551 8911 Nederlands Dans Theater I: triple bill comprising Sinfonietta by Jiff Kylian, Grass by Mats Ek, and Start to finish by Paul Lightfoot; Sep 25, 26

BIRMINGHAM

CONCERT Symphony Hall Tel: 44-121-212 3333 City of Birmingham Symphony Orchestra: conducted by Sakari Oramo in works by Sibelius. Dutilieux and Mahler, Sep 24

BOSTON EXHIBITION

Museum of Fine Arts Tel: 1-617-267 9300 Monet in the 20th Century: more than 80 works painted by the artist in the last decades of his life. Beginning with paintings of the garden at Giverny, the show concludes with five of the monumental waterilly paintings

that Monet called Grandes Décorations: to Dec 27

CHICAGO EXCHIBITION Art Institute Of Chicago Tel: 1-312-443 3600 www.artic.edu Julia Margaret Cameron's Women: 60 vintage prints of Victorian subjects such as Julia Jackson, mother of Virginia Woolf, and Alice Liddell; to

COPENHAGEN EXHIBITION

Louisiana Museum of Modern Art, Humlebaek Tel: 45-4919 0719 www.louislana.dk Joan Miró: big retrospective comprising 140 paintings. drawings and sculptures, including works borrowed from the artist's family since the exhibition was shown in Stockholm over the summer; to Jan 10

GLASGOW OPERA Theetre Royal Tel: 44-141-332 9000 The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Farnes; Sep 23, 26

LONDON CONCERTS Barbican Hall Tel: 44-171-638 8891

London Symphony Orchestra: Sir Colin Davis conducts works by Mozart and Bruckner in the opening concert of the autumn ason. With piano soloist Radu Lupu; Sep 23, 24

Royal Festival Hall Tel: 44-171-960 4242 Philhumonia Orchestra: conducted by Kurt Sanderling in works by Brahms, Beethoven and Shostakovich. With piano soloist András Schiff, Sep 22, 26

EXHIBITION Royal Academy of Arts Tel: 44-171-300 8000 Picasso: Sculptor and Painter in Clay. This first big exhibition of Picasso's ceramics includes about 100 pieces, many of which have never been exhibited. They will be shown with some paintings and sculptures, demonstrating how Picasso developed his ideas across

OPERA English National Opera. London Coliseum Tel: 44-171-632 8300 Otello: by Verdi. New production by David Freeman, designed by Tom Phillips and conducted by Paul Daniel/Mark Shanahan. David Rendall sings the title role; Sep 22, 25

different media; to Jan 1

LOS ANGELES OPERA L. A. Opera, Dorothy Chandler Pavilion 1 Tel: 1-213-972 8001 www.laopera.org

 Carmen: by Bizet. Washington Opera production by Ann-Margret Pettersson, designed by Lennart Mörk. The conductor is Bertrand de Billy and the title role is sung by Jennifer Larmore; Sep 22, 25 Werther: by Massenet. Conducted by Emmanuel Joel In a co-production with Theatre du Capitole Toulouse staged by Nicolas Joël. The title role is sung by Ramón Vargas; Sep 23, 26

MADRID EXHIBITION Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-467 5062 Federico García Lorca (1898-1936): centenary

celebration of the Spanish poet. Includes biographical material and examples of the different forms in which he worked with friends and collaborators including Falla, Dali and Bunuel; to Sec 21 MANCHESTER

CONCERTS Bridgewater Hall Tel: 44-161-907 9000 BBC Philharmonic: conducted by Sir Charles Mackerras in a programme of works by Beethoven. With soloists including bass Willard White;

MUNICH CONCERTS Philharmonie Gasteig Tel: 49-89-5481 8181 Kremerata Musica: conducted by Gidon Kremer in Piazzolla's Maria de Buenos Aires; Sep 24 Munich Philharmonic Orchestra: conducted by Heinrich Schiff in works by Beethoven, Hindemith and Mahler; Sep 21, 22

NEW YORK CONCERTS Avery Fisher Hall, Lincoln

Tel: 1-212-875 5030 www.lincolncenter.org New York Philharmonic: Kurt Masur conducts Beethoven -The Complete Symphonic Cycle. Programme II (Sep 22); Programme III (Sep 24, 25); Programme IV (Sep 26)

New York City Opera, New York State Theate Tel: 1-212-870 5570 www.nycopera.com Il Barbiere di Siviglia: by Rossini. Directed by Albert Sherman and conducted by Guido Aimone-Marsan. Cast includes Kristine Jepson, Daniel Mobbs and Matthew Polenzani; Sep 24

Partenope: by Handel. Directed by Francisco Negrtn and conducted by George Manahan. Lisa Saffer sings the title role; Sep 22, 26

PARIS DANCE

Théâtre des Champs Elysées Tel: 33-1-4952 5050

 Cuban National Ballet: Swan Lake, in a staging by Alicia Alonso; Sep 22, 25, 26 Cuban National Ballet: Giselle. in a staging by Alicia Alonso; Sep

EXHIBITIONS Musée d'Orsav Tel: 33-1-4049 4814

Musée du Louvre

www.Musee-Orsay.fr Millet/Van Gogh: display of 85 works brought together to demonstrate the influence of Millet on the work of Van Gogh. These include paintings, drawings and pastels by both artists, many of them on loan from the Van Gogh Museum in

Tel: 33-1-4020 5151 www.louvre.fr Astronomy and Astrology in the Islamic World: display of instruments developed by Arab astronomers between the 8th and 15th centuries, shown alongside a selection of everyday and religious objects decorated with astrological designs; to

Sep 21 Bassano and His Sons: works by the Venetian painter Jacopo Bassano (1510-1592) and his sons. The display brings together works owned by the Louvre with loans from other French museums; to Sep 21

SAN FRANCISCO **OPERA** San Francisco Opera, War Memoriai Opera House Tel: 1-415-864 3330

www.stopera.com A Streetcar Named Desire: world premiere of a new opera by André Previn, with a libretto by Philip Littell based on Tennessee Williams' play. The staging is by Colin Graham, André Previn conducts and the cast stars Renée Fleming; Sep 23, 26

TOKYO CONCERT Suntory Hali Tel: 81-3-3584 9999 Japan Virtuoso Symphony Orchestra: conducted by Philippe Entremont in works by Berlioz and Beethoven; Sep 21

TV AND RADIO WORLD SERVICE BBC World Service radio for Europe can be received in westem Europe on medium wave 648 kHZ (463m)

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 CNN International Monday to Friday, GMT: 06.30: Moneyline with Lou Dobbs 13,30; Business Asia 19.30: World Business Today 22.00: World Business Today Uodate

 Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.



PHILIP STEPHENS

Third way ahead

Bill Clinton, Tony Blair. Romano Prodi and others are looking for ways to add intellectual nourishment to centre left politics

Politics needs a narrative. Today's political leaders are drawn from the managerial classes. The prophets and philosophers have made way for lawyers and management consultants. They cannot change the world, they shrug. The best they can do is help us to survive in it. In this era of global markets. we must set them modest performance targets. And yet ... These same leaders are discomfited by the admission. They know

that without ideas and inspiration, politics cannot conceal its hollowness. Pragmatism must make some connection with principle. Here we find the explanation for the efforts of

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Bill Clinton, Tony Blair, Romano Prodi and others to add intellectual nourishment to the politics of the centre left. Progessive politicians, as they call themselves, have returned to power across the A victory for Gerhard

Schroder over Helmut Kohl in this month's German elections would draw a final symbolic line under what, not so long ago, seemed a permanent hegemony of the right. But the centre left needs a theory to underpla the practice of government.

Thus far these new leaders have prospered from their determination to dump the old ideologies of the left. What counts is what works, they tell us. Without shame. they will borrow policies from left and right. If need be, they will split the difference between Marx and Hayek. Dick Morris, the disgraced former pollster for the now disgraced US president, coined the phrase triangulation: a marriage of the generosity of liberalism with the realism of conservatism. Mr Clinton and Mr Blair prefer to

call it the Third Way. We cannot fault the political strategy. The left had to rebrand itself or die. The middle classes needed reassurance that it had abandoned its love affair with big government. Campaigns need slogans. And a promise to civilise the marketplace rather than dismantle it answers the contradictory impulses of the age. We don't want governments to substitute themselves for Adam Smith's invisible hand. They can sometimes

direction. There is another break with the past. The left used to define itself by its commitment to equality of outcomes. The aspiration always owed more to romance than reality, but it provided an ideological anchor nonetheless. In place of equality Messrs Clinton and Blair promise social mobility.

steer it in a friendlier

All this tells us what the Third Way Isn't. As Mr Blair remarks in a new tract published to coincide with today's Third Way seminar with Mr Clinton and Mr Prodi in New York, it is neither the statism of the Old Left nor the neo-liberalism of the New Right, it is not the size of the state that matters, but its leverage. To Mr Blair's mind.

medium-sized) government

can also be strong Beyond that it is easy to become lost. There is nothing new in the ambition of remaking the path between market liberalism and social justice. During the cold war years, Sweden called it the Middle Way. The subsequent seismic shift in the political landscape during the 1980s stranded this model on the left.

that accord were fairly precisely drawn by John Major's Conservative government.

Mr Clinton is apt to play the same trick. A welfare reform programme written by the Republicans is recast as a New Democrat flagship only after the president is obliged to sign it into law. Thus the Third Way becomes no more than an

accommodation with political reality. An unkind observer might ask how long will it be before Mr Clinton's curious sexual tryst with Ms Lewinsky is described as the Third Way between fidelity and adultery. Some imprecision is

inevitable. Reality never fits

Something similar has been

happening to the postwar

settlements in France and.

to a lesser extent, Germany,

Clinton-Blair Third Way has

been more illuminating as a

description of the dilemmas

To be fair, Mr Clinton has

shown how the means of the

harnessed to the ends of the

left. The earned income tax

incomes to the working poor

Mr Clinton is more than a

else can one explain the rock

caring conservative. How

African-Americans as the

Monica Lewinsky scandal

Mr Blair has his own

government's over-zealous

commitment to the economic

orthodoxy of the times, there

has been a fair amount of

redistribution by stealth. Its

programmes, a new working

education programmes defy

the oft-cited continuity with

when the Third Way label is

applied indiscriminately as a

families tax credit and

substantial increases in

spending on health and

The confusion sets in

examples. For all his

wallare-to-work

Thatcherism.

takes its remorselessly futile

while winning the approval

of middle America, Tax

credits for education

have served the same

solid support for the

president from

credit has delivered higher

right can occasionally be

of centre-left governments

than as a new political

social democratic

But thus far the

neatly with theory. Ultimately, governments define themselves by what they do rather than what they say. And Mr Blair, for one, sounds more convincing when he eschews some of the obscure jargon of the Third Way to speak in more familiar terms of modernising social democracy. Here government remains an essential instrument of progress. But regulation

replaces ownership. What's missing is an admission that the familiar lines between left and right those between tax cuts and spending, income inequality and redistribution - cannot be dodged. There will always be a choice between tax cuts for the middle classes of Middle America and Middle England and increased spending to lever up the life chances of the poor. The Third Way does not tell us where the line will be drawn. Only that, somehow, it can satisfy both

matituencies. There is though, a much bigger threat to this new politics of the centre-left. With cruel irony, the gospel of slim but effective government is being preached at just the momen when we see politics and politicians at their most ineffectual.

post hoc justification for The present gale blowing anything and everything. through the global financial Thus some of Mr Blair's system has shown them inteliectual disciples will poweriess. Markets, we are hold up the political learning, are ruthless of the settlement in Northern pretensions of our Ireland as an example of this politicians. Where, I wonder, new politics of the is the Third Way which centre-left. We are asked to leads us out of world forget that the parameters of

LETTERS TO THE EDITOR

Criticism over high costs of share Unpayable dealing is unfairly targeted

From Mr Alex McClarty. "Cheaper European share dealing move" (September times as much in the UK. 14) about brokers' plans for top 300 companies across Europe. British brokers are very cheeky in putting the blame for high dealing costs on their continental European colleagues.

buying shares in the UK is much higher than here in Germany. I pay less than 0.5 pared to mostly cheque

per cent in costs on deals of Sir, I refer to your report just over £1,000, whereas such deals can cost four The charges with my reducing dealing costs on direct broker are on a sliding scale so that it becomes

rapidly very cheap to buy

and sell. It makes sense to

buy UK shares on the Ger-

man bourse. Add to this the much The fact is that the cost of narrower spreads in Germany, the electronic settlement within two days (comsettlement after five days in the UK), a nominal DM5 for transfers between currency accounts at the mid-rate and a nominal 0.1 per cent for a nominee account per annum, and the fee-bungry British brokerages look like they could be out of business soon if they don't change their ways.

Alex McClarty, Hansiakobstr. 101.

debts target

Sir You are wrong to represent the Jubilee 2000 Coalition's message as "simply writing of all debts at a stroke. "Moral debt". September 15). We call for the cancellation of the unpaya-ble debts of the world's poorest countries by the end of the year 2000 and we are quite clear that any new resources freed should meet the urgent human needs of those countries.

It is not beyond the combined capability of creditors, debtors and civil society in debtor countries to ensure that this happens - particularly with the benefit of constructive proposals emerging from Oxfam, Christian Aid, Cafod and other members of the Inbilee 2000 Coalition.

However, if there is not the real political will to act on the part of lending governments and institutions, the argument over conditions will be little more than academic - and offers a convenient excuse for doing nothing. This, as your editorial states, will certainly not

Adrian Lovett. deputy director. Jubilee 2000 Coalition. PO Box 100. London SE1 7RT, UK

Good reason not to teach technology

From Mr Marcus Davison. Sir, Baroness Blackstone, UK higher education minister, says "an understanding of technology is likely to be at least as important as specialist knowledge which may be out of date within months" ("Minister attacks 'elite' exam", September 18).

The fourth of my five children has just entered the sixth form to study German. French, Italian and History. As I am unaware of any plans to exterminate the populations of Germany. France or Italy "within months", can I take it that in my daughter's case the min-

rewrite the history book? More seriously, Baroness Blackstone is of course right that we should not teach children things which will rapidly become useless. because what they learn in their first 15 years or so gets tucked away in a precious part of the memory which does not fade. All the more reason not to teach them

technology. Every August the press coverage of the GCSE results includes the inevitable item about the youngest person ever to gain a GCSE pass. This year it was a six-yearister is referring to her old, but every year it is the

sitting GCSE. And what will the child do then? Apply to the exam board to have his/ her 1998 pass in IT reclassified as a distinction in industrial archaeology? Down with hexadecimals! Up with hexameters!

only to reflect briefly on

what computers were like

ten years ago to realise that

much of what this poor child

has learned will be obsolete

by the time he or she

Marcus Davison, 77 Mildred Avenue.

Watford WD1 7DU,

ran-Talib

Bundesbank more preoccupied with inflation than money stock

boss's strenuous efforts to same subject - FT. We need

From Mr Terry

right when he says that aggregates than Mr Münthere is a battle over the European Central Bank's monetary strategy, but wrong about the Bundes- the face of unexpectedly bank's position ("Experts ponder monetary strategy", September 15).

He says the Bundesbank is in part because it has worked in Germany. However, the evidence (eg Ber-

Economic Review, 1997) is O'Shoughnessy. that the Bundesbank takes Sir, Wolfgang Münchau is less notice of monetary

The Bundesbank unlikely to tighten policy in rapid monetary growth if other indicators point to lower rather than higher inflation. In other words, the backing monetary targeting Bundesbank really targets inflation, not the money

chau supposes.

which must be deduced by estimating a central bank's "reaction function".

The former approach has all the advantages: it is transparent, it makes sense ters. Better still, if the target is externally set, it can serve to give central bankers proper incentives.

And if the target is set by a democratically accountable The battle, then, is body (as in the UK or New between an explicit inflation Zealand) it has some chance

target and an inflation target of maintaining public support.
The alternative would be

like company directors deciding on their own incenbased on a performance meato market participants and it sure which does not matter targets something that mat- to anyone and which can, if necessary, be manipulated to make the board look good. Surely, this would not

> Terry O'Shaughnessy, St Anne's College,

Number One Southwark Bridge, London SE1 9HL

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"I know it's late, but I'd like some sushi. How far do I have to go?"



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A leadership in denial

Europe's central bankers have no appetite for global power. So they will ignore the existence of a crisis in Asia, Russia or Latin America until it has some impact on them

European central bankers in their response to the international financial crisis is breathtaking. "We do what we can do, but there is not much we can do." These are the words of leadership offered by Wim Duisenberg, president of the European central bank. Speaking in The Hague over the week-end, he acknowledged that the crisis would have some effect, but said that Europe would remain "an casis of

Europe's political elites always saw in economic and monetary union a way to challenge America's global economic dominance, although they do not like to

admit this in public. The trouble is that the central bankers in charge of running the single currency have no appetite for global leadership. They interpret their constitutional role as narrowly as possible in terms of euro-zone price stability. The consequence of this dichotomy is a black hole of power without

responsibility. We do not know exactly what Mr Duisenberg meant by his statement – let alone what it is that he and his colleagues are actually doing to help - but the outside world will interpret his words as the equivalent of

waving two fingers.

Mr Duisenberg is not unique in this respect. He is only blunter and perhaps politically less sensitive than other European central bankers. He just says what they think.

Ask almost any of them, central banker or economy minister, and one finds they look at the crisis in Asia, Russia and Latin America purely in terms of the direct impact on Europe.

As long as the domestic econometric forecasting models do not start flashing any warnings, they will deny the existence of a crisis, let alone countenance a deflationary threat. In other words, it is a problem, but not theirs.

This view is complacent both in terms of the diagnosis of the problem and the potential economic conse-



quences for Europe. The latest example is the Bundes-bank's monthly report for September, which painted a glowing picture of the German economy. The report acknowledged that international events had had some effect on domestic economic growth, but said that this was more than compensated for by strong domestic demand and investment. All is well, according to the

The International Monetary Fund is far more cautious in its latest economic assessment of the German economy, published over the weekend. It acknowledged that Germany was on a cyclical upswing, but said the external risks remained formidable.

There is, of course, no evidence to suggest that the international financial crisis will inevitably be deflationary. But the crisis does pose a systemic risk to the financial system and a possible loss of investor confidence risks which are difficult to

So what do European central bankers think about the crisis itself? There is overwhelming agreement that the crisis is caused primarily by those who are suffering from it - a kind of divine

that it is caused by a combination of structural deficiencies in the affected countries - an undeveloped financial sector, crony capitalism, corruption - and moral hazard. for which they blame the

Moral hazard - the incentive to cheat in the absence together with "adverse selection", the tendency of those who cheat to hide their iden-In this particular case,

moral hazard relates to investors and banks piling into emerging markets knowing they will get bailed out by IMF-led assistance when things go wrong. Hans Tletmeyer, president

of the Bundesbank, hardly misses an opportunity these days to warn about moral hazard and to call for economic reform in the affected regions as a necessary condition to a solution. He also repeatedly makes the point that monetary policy did not cause the crisis and will therefore not solve it either.

An example of different responses to an international financial crisis was the 1987 stock market crash. The Federal Reserve provided banks and financial institutions with generous liquidity on justice. Europeans believe preferential rates and terms.

The Bundesbank, by contrast, warned about incipient inflation, a fairly unpopular move at the time. On that occasion the Bundesbank was proved right by subse-

Eleven years on, the difference in attitudes persists. At a recent conference in Frankfurt, organised jointly by the Bundesbank and the IMF, senior German officials publicly berated the IMF's top management. Jürgen Stark, then a senior German finance ministry official and now vice-president of the Bundesbank, argued that the IMF's bailout of Mexico after the 1994 crisis had directly contributed to the current He said the bailout had

triggered a narrowing of emerging market bond spreads, a sign that investors had lost their fear of risk. Taken a step further, his reasoning suggests that the IMF not only failed to prevent the current crisis, it actually caused it by luring

This is the classic moral hazard argument: investors cash in on the profits of their investments while the taxpayer bails them out in the event of a crisis.

It is an unfortunate faci that some sections of the German financial establishment look on the IMF as a gang of economic terrorists. But the moral hazard argument cannot easily be dismissed as paranoia.

The behaviour of investors did form a key element in the current crisis, and if investors were to be rewarded again for taking reckless risks, the seeds of the next financial crisis might already have been

Yet the Europeans have no consistent alternative approach to offer either, and the regular denials only make matters worse. The French were right the ECB may need a political counterweight after all, capable of providing leadership in times of crisis, something which Mr Duisenberg has conspicuously failed to do so

FINANCIAL TIMES

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Monday September 21 1998

Unhappy video

tape precedent

sends out some exceptionally

depressing signals about the way

the Congress is gearing itself up

to consider impeachment pro-

ceedings against the president.

secrecy for witnesses at grand

jury proceedings. It is true that these have already been under-

mined by prodigious leaking

from all sides during the course

of this inquiry.
It is also true that Mr Clinton's

lawyers agreed that his testimony could be videotaped, to avoid the humiliation of him

appearing in person before the

jury and to allow any jurors who

were absent that day to see it

later. But taking this extra step,

and putting Mr Clinton's whole performance on display in this fashion, sets an unhappy prece-

It is also looks like an explic-

itly partisan move to embarrass

the president. The vote on Friday

went on straight party lines.

Republican leaders have justified

the move with the argument that

the public should have the right

to judge the credibility of the wit-

ness by watching him under

In reality, of course, most citi-

Tens of thousands of Iranian and

Afghani troops are converging on

their common border, marching

to an ominously bellicose drum-

beat. Iran will by this week have

a 250,000-strong force in position

to sharpen its demand that the

Taliban militia hand over the

murderers of nine Iranian diplo-

mats after the fall of Mazar-i-

In its recent military triumphs,

the Sunni Moslem fanatics of the

Taliban have slaughtered thou-

sands of Shi'a Moslem opponents.

Sharif last month.

Iran-Taliban

eross-examination.

First, the decision challenges

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vent further massacres of its Laden came into being as part of Afghan co-religionists, but any new incident could ignite a war. A war would undermine

at the problem of

and bridges to the west, by restoring the hardline theocrats around Ayatoliah Ali Khamenei, the Supreme Leader and armed forces chief, to political influence. Crushed by Mr Khatami's election landslide last year, the hardliners have now found the excuse to subordinate reform to

> have already started closing pro-Khatami newspapers. Open conflict could also spread regionally, sucking in Pakistan which, with Saudi Arabia, is the Taliban's main backer. Turkmenistan, Tajikistan and Uzbekistan to develop a coherent policy are worried about the Taliban's towards the region.

"national security" demands, and

ton's anthusiastic support for the Miriahedin's holy war against the Mohammad Khatami, the reform- Soviet occupation. And it is a US ist Iranian president trying to company which has just agreed rebuild a consensual civil society on a \$250m cellular phone deal Today at the UN, the US has

the opportunity to meet at foreign minister level with Iran (as well as Pakistan, Russia, and Afghanistan's Central Asian neighbours) as part of efforts to end the Afghan war. Washington should use the opportunity to back Iran's demands for redress over its slain diplomats, warn off the Taliban and make clear that it can only win international recognition by conforming to international codes of conduct. Longer term. Washington might also try

combating corruption has never

teetering on the edge of default. these risks. In confronting the consequences, both for Russia -eign investors. More broadly, the bank owes it to its mandate to point out the gains that have been made by those who have undertaken root-and-branch

ince the onset of the and now routinely, to the point

The decision by the House viewing Instead, they will watch Judiciary Committee to release a the handful of extracts that will videotape of President Bill Clin- be pulled out by the news chanton's grand jury testimony about nels - and they by definition will his affair with Monica Lewinsky be the ones that show Mr Clinton is unwise and objectionable. It in a rage, or struggling for the weasel words to explain his behaviour, or simply at a loss to come up with anything to say at all. The testimony was no doubt a sorry affair, and the television channels will present its worst

long-standing rules providing Finally, the suggestion that the American public should be put in the position of jurors in this affair is just plain wrong. The president's fate should not be decided by the opinion polls. It is for the Congress to decide, after carefully weighing up the facts and considering the alternatives in a solemn and bipartisan fash-

> Politicians must take notice of what their constituents think, but they also have to take direct responsibility for what may be the most serious decision they will ever be asked to make. The behaviour of Congress during the Watergate affair seems a model in this respect, and appears in marked contrast to what is going DO DOW.

With any luck, the decision will backfire on those responsible for it. As far as one can tall, the US public does not relish the prospect of further humiliation being visited on the president. But that is a small comfort on zens will not settle down for what will be another bleak day many hours of concentrated for US politics.

and Taliban-inspired extremists.

with Iran, Tehran, unsurpris-

ingly, smells a plot, but the real-

the "blowback" from Washing-

Meanwhile, the US, which has

What started as a technical effect changed economic fundaadvance to their borders, the fate of their ethnic minorities in Afghanistan, and the subversion of their governments by Saudi

Russian devaluation and default, colluded in the Taliban's rise, has failed to restrain its Saudi and Pakistani allies, while still talking about rapprochament ity is more prosaic: Washington's policies towards the Middle East and Central Asia are simply dysthe global aconomy. functional. The "Arab Afghan"

trying through diplomacy to pre-terrorist network of Osama bin had bought Russian assets with borrowed money to sell other unrelated investments to satisfy margin calls. These sales were accompanied by a more general "flight to quality", notably into the US bond market.

> driven not by fundamental economic considerations but by a mixture of panic, the herd up the fund managers' own overborrowed balance sheets.

The final twist is that the interventionist response to contagion by Malaysia and others will now, in itself, breed another wave of contagion, since global investors will expect a higher risk premium from all emerging markets, including market-friendly ones.

COMMENT & ANALYSIS

Revisiting of a deadly disease

Financial contagion is spreading to markets across the world. John Plender looks at the lessons to be learned from previous epidemics

Asian crisis 15 months ago, financial contagion has spread insidiously, where markets are being destabilised on a global basis. The spillover effects, initially from Asia

countries regardless of the soundness of their economic policies. Small wonder that the credibility of the global financial system as an efficient allocator of capital is being severely eroded. Governments as different in outlook as those of Malaysia and Hong Kong have responded by introducing controls and intervening in

and now from Russia, have hurt

Yet capital mobility remains an article of faith for the western policy establishment, even if the commitment has become less dogmatic in tone. The developed world appears unwilling to recognise that worsening contagion may result from flaws in the global banking system that call

markets. Others will follow.

for a response closer to home, Consider, first, the nature of the disease. Contagion comes in many forms, which are often associated with sudden changes in perceptions about risk. The common feature is a market response out of all proportion to economic reality.

While there is nothing new about the phenomenon, the potential for contagiously induced volatility has been hugely magnified by globalisation. Thailand's devaluation last year, in which a minor financial event ballooned into a regional crisis, was a classic instance. From the moment doubt was

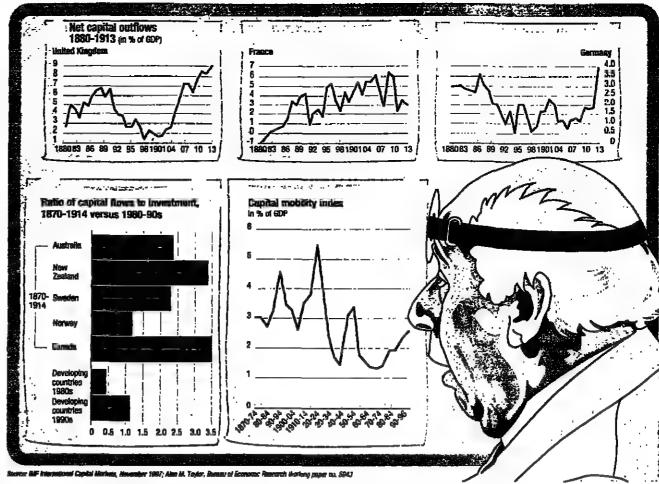
ast on the sustainability of Thailand's pegged exchange rate, local borrowers across the region woke up to hitherto unacknowledged currency risk. They then felt obliged to hedge foreign currency debts, which put pressure on their domestic curren-

mentals across Asia as other countries were obliged to devalue to preserve competitiveness. The weakness of the Japanese ven against the dollar made the problem worse, by giving rise to fears of a Chinese devaluation.

similar problems were compounded by a new factor, serious damage to the credibility in crisis management of the International Monetary Fund and the US Treasury. Hence the widespread fallout from a country that was marginal in world trade and in As with Asia, there was

This is sometimes dubbed "pure" contagion, since capital is

Have we been here before?



break of contagion is not unprecedented. In an earlier period of much greater floancial integration - the gold standard era of 1870 to 1914 (see chart) - there were frequent currency and banking crises like today's. In 1873 and 1894-96, for example, the US gold standard parity came under speculative attack. Close linkages in capital and commodity markets provided a powerful transmission mechanism for

Yet there are instructive differences between the two periods. Technology has vastly accelerated the speed with which shocks are transmitted, thus multiplying the destabilising potential of news. Concentration of investment in professional managers' hands reinforces this volatility. Perhaps the most important

difference, though, concerns the extent to which capital flows are leveraged by borrowing. As David Hale of Zurich Group points out, 19th-century capital flows were mainly unleveraged. About 5,000 British families and world's infrastructure. This was mainly "patient", long-term portfolio capital looking for a higher income return than at home. Today, capital is less produc-

has been going to countries with high rates of domestic saving. A recent IMF study showed that instinct and the attempt to shore capital inflows in the 1990s amounted to only 10 per cent of markets, and that almost half of the total net flows during 1990-96 went into official reserves. These were mainly recycled back to the developed world in a futile round

global capital is leveraged, most position in the Thai currency last their crony capitalism, for impos-

OBSERVER

funds. Estimates of global hedge the country's official reserves, fund resources range up to 5,000 unregulated offshore funds specialise in emerging markets. For perspective, that \$400bn is more than the World Bank's estimate for the outstanding bond market debt of the developing countries. It is also more than double the combined equity market capitalisation of Thailand. South Korea and Indonesia at the

start of the Asian crisis last July. These comparisons do not take leverage into account. It is not uncommon for hedge funds to

many forms, often associated with sudden changes in risk perceptions

Contagion comes in

borrow five or six times their dency for foreign investors who 20,000 continental European fami- investors' funds in pursuit of the banks are regarded as too big systemic threat arising from conlies provided personal capital for high returns. Further leverage is to fail. Excessive risk-taking tagion within the banking system the bond and equity markets to built into the structure of the could result in a liability on itself. This calls for a policy finance much of the developing derivative instruments used by developed countries' taxpayers, response. James Tobin, the Nobel hedge funds, such as swaps and options. Mr Hale argues that the world

has never before had such a large pool of capital dedicated to tively deployed and much of it highly leveraged speculative activity focused on the markets of small- and medium-sized countries. Short-termism is an inevitable feature of the management style because such leverage imposes abrupt portfolio changes when banks make margin calls. The markets in such countries

cannot readily absorb the resulting shocks. The extent of the imbalance is well illustrated by the widely quoted statistic that a And a growing proportion of single hedge fund had a short The global nature of this out- notably in the case of the hedge year equivalent to 20 per cent of ing controls on foreign capital?

The scope for destabilisation, and for "pure" contagion, in such situations is immediately apparent. As the recent spate of

announcements about bank losses in Russia has underlined. the hedge funds are not alone in speculating in emerging market securities. The proprietary trading activities of the banks are likewise directed at exploiting short-term trading opportunities; and banking itself is a highly leveraged activity.

The readiness of commercial banks to engage in this high-risk own-account dealing is all of a piece with their willingness to finance highly leveraged hedge the loss of their larger corporate clients, who now raise money a higher risk premium. directly from the markets. The for new sources of business, ing markets to be destabilised by

systemic threat.

in the early stages of the Asian crisis the problem of leverage chiefly concerned the plight of private sector borrowers in countries where financial systems impost. were deficient in equity capital. the world, financial instability is increasingly being generated by creditors rather than debtors witness the extent to which counobvious economic imbalances

have been penalised. Who, then, can blame those like Malaysia's Mahathir Mohamad, however unattractive He could fairly arrue that such flows are reliable only to adding liquidity when it is not needed systems are in trouble

To placate global capital, Asians have had to endure interest rates that inflict further shrinkage on their domestic economies. It is hardly surprising if they heed the advice of Paul Krugman, the US economist, and try temporarily to sever the link between domestic interest rates and the exchange rate.

Whether the introduction of exchange controls will work is another matter. But the only moral as opposed to practical objection lies with other emerging economies where sound economic policy is now penalised by

It is not in the long-run interest banks have been forced to look of the developed world for emers. These are inevitably more risky. excessively volatile capital. If the The striking feature of much of hedge funds and banks misjudge this bank dealing activity is that the risks in their speculative it is underwritten by an implicit dealing, which is all too plausi in the event of losses that posed a Prize-winning economist, has argued for "throwing sand in the machine" by imposing a transactions tax. Yet it is hard to believe global agreement could be reached on imposing such an

A more effective restraint -As the crisis has spread across and a clear imperative - would be an amendment to the Basis capital adequacy regime to raise the cost of proprietary trading and of bank lending to hedge tries that are not afflicted by funds. It is bizarre that western governments have allowed insured deposits of the global banking system to be used in morally hazardous destabilising speculation of this kind - especially when it could saddle their exchequers with a very large bill.

Lost voice

Horst Köhler is facing a baptism of fire as president of of the reform effort has never the European Bank for Reconstruction and Development. His new charge should have been at the front of the international institutions providing leadership in the Russian turmoil. The bank has, instead, been

notable for its silence. Disgracefully, the institution was left to flounder without a president from January to September. This was thanks to European Union governments, which allowed the EBRD succession to fall hostage to the haggling over the appointment of a first governor to the European central bank. The interim early membership of the Euromanagement's motto of "busi- pean Union. In such countries ness as usual" was inadequate as Romania, Slovakia and Bulto the challenge of events in garia, however, progress Moscow. Now the bank must remains uncertain. The weakest quickly find its voice if its role countries, such as Ukraine, are in fostering the transition to a market economy in of east

Europe is not again to come EBRD cannot withdraw from into question. The bank's first public effort Russian debacle, therefore, it to address the Russian crisis, must point out the devastating two weeks ago, was not promising. With loan and investment itself and for other transition commitments of \$3.1bn, a quar- countries, of its apparently dister of its total banking portfolio. criminatory treatment of forit was hardly surprising that the EBRD had been struggling to assess the damage to its own assets. But it owes it to its shareholders to draw wider lessons from the apparent collapse of reform efforts in Russia.

been stronger. The need for standards of corporate governance, for transparency and regulation of financial markets. for greater concentration on

In the fast track reform countries of central Europe - Hungary, Poland, the Czech Republic and Slovenia - these lessons have been learned. The transition process has almost certainly become irreversible. Certainly, they cannot afford to waver, given their pursuit of

Unlike private investors the reform and the pain to be suffered by those who fall short.

Full charge at the banks

Who said Canadian banking was boring? The battle over mergers in the sector is taking on the trappings of a medieval

John McCallum, the Royal Bank of Canada's chief economist, has thrown down the gauntlet, accusing competitor ScotiaBank of propagating distortions, myths and unsubstantiated assertions" about two proposed banking marriages. One would see Royal join the Bank of Montreal and the other would merge Toronto-Dominion with the Canadian Imperial Bank of

ScotiaBank, the ione bachelor, has urged the federal government to block the blissful unions, warning of unhealthy levels of concentration. So McCallum has challenged ScotiaBank chairman Peter Godsoe to nominate his own chief economist. Warren Jestin. to debate publicly the mergers.

But the merger fight is no ordinary contest. While the four banks have staked their economic futures on the deals, the political future of Paul Martin, Canadian finance minister, may depend on blocking them. Martin wants to be the next prime minister, which will need

Such confrontation is rare in

the button-down banking world.

the backing of his own Liberal party caucus. But many packbenchers hail from small towns that fear half their local bank branches will close if the mergers go ahead. Nothing would make Martin happier than saying no. Let the jousting begin.

Slovakian stars So who else is flying in to add a

touch of badly-needed sparkle to

prime minister Vladimir Meciar's campaign as the Slovak elections enter their final round? The latest to turn up at the weekend was enduring cinema sexpot Claudia Cardinale, who ioined Meciar on a chat show. Somehow, the prime minister's party has already managed to persuade supermodel Claudia Schiffer to join him in opening a stretch of motorway, though French actor Jean-Paul

Belmondo sent his son to cut the

ribbon on another bit of road. The latest rumour is that rugged French heart-throb Gerard Depardieu is also on his way with a pair of scissors. All the celebrities deny their visits have anything to do with politics. it's just that they love Slovakia. But big business supporters of the former boxer-turned-prime minister who privatised state assets cheaply are clearly

coughing up cash to bring out the stars. Mediar does some things on i his own, however. He's just laid a foundation stone at a new Volkswagen factory; curiously, no VW people were present and it denies any decision on a new plant has been made.

Alberto opens up

It wasn't what he said, it was the fact he opened his mouth at all. Peruvian president Alberto Fujimori's mysterious security adviser, Vladimiro Montesinos, has emerged from the shadows. Montesinos, who wears his black hair slicked back in the style of a 1920s tango singer, is de facto chief of the feared intelligence services, which have played a big role in a successful campaign against Peru's rebels. But they've also been linked to murder, torture and other human

rights abuses. Dismissed as an army captain, Montesinos was failed for one year in the 1970s after being charged with selling military secrets. He became a lawyer defending drug traffickers before becoming Fujimori's security adviser in 1990.

His public utterances last week, prompted by the capture of a querilla column, were in themselves of little consequence. But opposition legislators reckon his brief appearance before the cameras forms the start of a bid to clean up the image of the second most powerful man in Peru Victor Joy Way, president of congress, says he sees no

run for parliament in the next elections. Close colleagues say he could even have an eye on Fulimori's job. His dubious record? That's regarded as more of a political challenge than an

Ethan hawkish

Troubled Japanese securities outfit Nomura Securities has clearly been learning western ways. Capital America, its US mortgage lending and securitisation arm, may have lost \$200m in the past six months and waved goodbye to founder and vice-chairman Ethan Penner. But while departing Japanese executives who preside over a company's slide into heavy losses tend to express their sorrow and shame, 37-year-old Penner – he apparently resigned because of Nomura's unwillingness to leave him in total control of the business - appears utterly unruffled. The \$30m severance package he received

must have helped. Even though Capital America's losses are largely the result of market forces, rather than its unusually aggressive approach to the business, there are some who believe Penner could sound more contrite. But he says he plans to start his own finance company, adding: "Just because da Vinci painted the Mona Lisa doesn't mean he stopped painting." Let's hope he doesn't reason why Montesinos shouldn't paint himself into another comer.

Ginancial Time 100 years ago

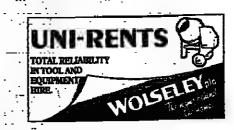
rumours are being spread. Only the other day, one of those Paris sheets which go in for sensational items had a dramatic account of an angry discussion between M. Faure the President, and M. Brisson. the Prime Minister. They were represented as being about to come to blows, with the Minister of War interposing, and the whole Council of Ministers holding on to the would-be combatants' coat-talls. Of course, the whole thing was an invention. but such is the present upside-down condition of things that there were not wanting people to believe it.

The wildest and most fantastic

50 years ago

Tobacco "Famine" Mr. John B. Hutson, president of Tobacco Associates Incorporated - chief trade organisation of American tobacco producers - is to visit London to look into Britain's tobacco "famine." He is expected to make a personal check on charges that recent British tobacco purchases in "soft currency" countries discriminated against American growers and infringe the Anglo-American financial agreement.

MONDAY SEPTEMBER 21 1998



THE LEX COLUMN

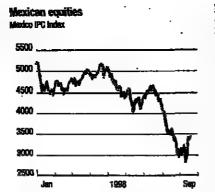
Un-Pacific alliance

Want to wave a red rag at a regulator or two? Tell the world you plan to expand an alliance which has yet to get regulatory approval even in its original form. The BA/AA tie-up has been two years in the wrangling and although the shape of a deal is emerging, it could still be scuppered. BA/AA may judge the demands to give up rather than sell landing and takeoff slots too heavy a financial sacrifice. The US authorities may strike a tougher stance on opening up Heathrow airport to US airlines. So is this really the time for

BA/AA to up the ante? The answer is yes. If BA/AA does not lock in the few footloose and desirable airlines left such as Cathay Pacific, others will BA/AA has already lost valuable ground to the Star alliance, headed by Lufthansa and United Airlines. Of course, the timing could be better. Trumpeting a tie-up with an Asian airline that has just recorded its first loss in more than two decades damps the excitement. But these alliances are in it for the long haul. BA/AA needs an Asian leg to compete with Star and Cathav is still a valuable franchise. Eyebrows may rise in Brussels, London and Washington on news of a new BA/AA partner. But it should not affect the regulators' decision. on whether to allow the BA/AA alliance. That debate is essentially about competition on transatiantic routes and an openskies deal between the UK and US.

When it comes to weathering international shocks, Mexico has an advantage over its Latin American neighbours. recent experience. Spurred by the 1995 tequila crisis", Mexico has opened its economy, privatised its banks and pushed through fiscal reform. Despite a sharp fall in the price of oil, which brings in a third of government revenues, the fiscal deficit is a manageable 1% per cent of GDP. Most important of all, by allowing its currency to float freely, Mexico can absorb much of the pressure on its economy through the

That does not mean everything is peachy. Although the peso has declined 14 per cent since mid-August, interest rates have still doubled to more than 40 per cent. Not surprisingly, the economy is slowing sharply, though it should still grow 2 per cent next year, when Brazil



will probably be in outright recession. Mexico also has high debt levels, with about \$150bn of combined public and private sector external borrowings. But at 36 per cent of GDP that is comparable with Argentina and lower than most Asian countries. Meanwhile, domestic debt at \$30bn is small.

One of the reasons Mexico has been badly hit despite decent fundamentals is its relatively unstable domestic politics. The opposition-led congress delights in embarrassing President Zedillo's administration. But investors should remember that Mexico has an ace in the hole: its strategic importance to the US and membership of the Nafta free trade area should guarantee a swift intervention from Uncle Sam if the trouble worsens.

Pernod Ricard

The sale of Orangina to Coca-Cola for FFr5bn (\$887), about four times sales, always looked a juicy deal for Pernod Ricard. No wonder it remains keen to ent out the distribution issue which appears to be blocking the transaction. However, if Coca-Cola does sign away distribution of Orangina to catering outlets, it may seek compensation via a reduced offer. And if the conditions sought by the competition authorities are even more onerous, it might walk away.

Such obstacles could be seen as antiforeign takeover activity by the French government. But this would be largely misplaced. Coca-Cola has 37 per cent of the French soft drinks market. Add in 10

per cent for Orangina and Coke would be about four times the size of its nearest rival, Cadbury Schweppes. That is bound to ring alarm bells, even though a market that excludes fruit juice and bottled water is rather narrowly defined. In any case the main trade complainant is another US company, PepsiCo, which is making vigorous use of anti-trust regulations to try to thwart its enemy in the US and Italy as wall as Urange

If the deal falls through, Orangina, an under-exploited brand, might be attractive at a lower price – to other rivals. Market conditions do not favour a flotation and an independent Orangina would still lack international marketing clout. With FFr10bn already in the bank, Pernod Ricard has no need to sell out cheaply.

US earnings

Squeezed between crisis overseas and a slowdown at home, even mighty corporate America is starting to wobble. Third quarter earnings are expected to show a small decline - the first such fall since 1991, according to First Call, which collects analysts' forecasts. Commodity and technology stocks have long been suffering. But they are now being joined by a worrying number of blue chips, from Walt Disney to Gillette. Meanwhile, financial stocks, previously star performers, have

been hit hard by overseas trading losses.
The outlook is equally bleak. Do not be fooled by bottom-up analysts' forecasts of 19 per cent for 1999. Their forecasts have proved hopelessly wrong this year. Even the more sober-minded expectations of top-down equity strategists, for about 8 per cent growth next year, may prove

Where does that leave valuations? Having corrected by 15 per cent, the S&P 500 index is trading at a price/earnings ratio of 21 times for 1999, down from its peak of more than 25 times. The key now is whether expectations of long-term earnings growth are changing. So far, these have remained unimpaired at about 12 per cant a year for the next five years. But as the crisis drags on, this number is becoming less believable, especially since the S&P's historic growth rate is only 7 per cent. Once long-term forecasts fall, even declining bond yields may not be enough

Primakov asks west for help to underpin reforms

Russia needs to win time to make 'essential' corrections. PM says

Yevgeny Primakov, Russia's prime minister, yesterday said his country had sufficient reserves to avoid defaulting on its debts but appealed for additional financial support to underpin future reforms. "Foreign help is needed, very needed." he

This week, the Paris Club of sovereign creditors will meet to discuss Russia's deht hurden after it missed virtually all of an DM800m (\$440m) interest payment on restructured Soviet-era debt. The Paris Club will also discuss ways of rescheduling an estimated \$54hn of Indonesian debt.

Acknowledging foreign investors had lost confidence in Russia in the wake of the country's financial meltdown. Mr Primakov said his government would make every effort to entice them back, although talks with the International Monetary Fund ended inconclusively last week, "They say to us: draw up a programme and it is possible we will support it with credits. But it would be good if the international organisa-

tions understood that we need the reform course while conducting protests planned for October 7. some essential corrections," Mr Primakov said.

Other ministers have warned that, if the IMF does not soon release the next \$4.3bn tranche of its support loan, the government will be forced to print money to pay delayed wages and pensions. The central bank has already begun injecting large-scale credits into Russian banks in an attempt to free the paralysed banking system.

The central bank last week conceded it would print billions of roubles to clear Russia's gridlocked payments system. The bank has in effect agreed to print money to par, enabling commercial banks to pay their depositors. The bank will announce further details today but. one government source sugges could involve the issuance of about Rbs9bn of new money.

The government is also thought to be considering printing up to an additional Rhs45bn this week to pay

wages and pensions. The aim is to credits to win time to stay on the draw the sting out of a day of mass

The Russian media, which wholeheartedly approved Mr Primakov's appointment, has been growing increasingly critical of the prime minister's cautious moves to deal with the country's deepening economic crisis.

The Kommersant business newspaper on Saturday accused Mr Primakov of achieving "catastrophi-cally little" since being approved on September 11.

After a brief recovery, the rouble has been plumbing new depths in recent days while Russia's tradeable Soviet-era debt, known as Prins, fell on Friday to less than 8 cents on the US dollar, implying an extremely

high risk of default. To add to Mr Primakov's concerns, Yuri Skuratov, the prosecutor general, last week launched an investigation into whether the central bank had misused the proceeds of a \$4.8bn loan disbursed by the IMF in July.

Sweden faces weakened minority government after SDP poll knock

Sweden was last night braced for a weakened minority government fol-lowing the worst election performence in more than 70 years by the ruling Social Democratic party.

Although the left-of-centre party looked set to remain the largest par-Hamentary group, early results in yesterday's poll indicated the SDP would be unable to form a workable government without the support of the former communist Left party, which seeks a sharp increase in public spending and favours Sweden's withdrawal from the European

Support for the SDP - architects: of Sweden's generous welfare state looked set to fall from 45.3 per cent in the 1994 election to 36.6 per cent following defection to the Left of voters discontented at the government's tight spending policies. The Left saw its share of the vote jump from 6.2 to 13.3 per cent.

The results, if confirmed in the final count, would represent the best showing by the Left party since 1945 and could mark a watershed for the SDP, which has ruled for 57 of the last 66 years. The turnout fell to below 80 per cant for the first time in

modern Swedish history. As 6.7m Swedes went to the polls, veral economists warned that an SDP government relying on the Left would be forced to embark on expansionary spending policies and would further delay any decision on Swedish participation in European economic and monetary union. Such a pact would almost certainly rule out any cut in Sweden's high income

Göran Persson, the Swedish prime minister and SDP leader, yesterday said his party could co-operate with any party excluding the Moderates, but he appeared to rule out a formal coalition with the Laft.

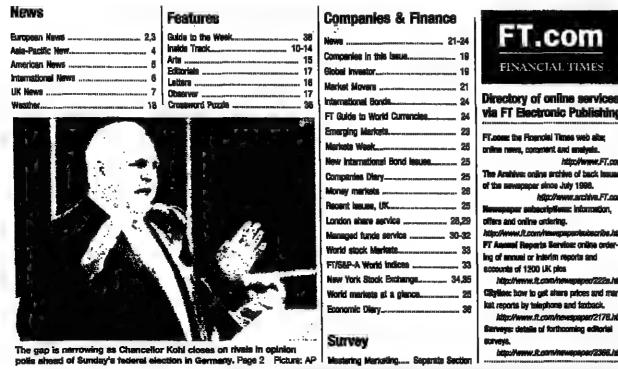
"We have never talked of forming a coalition government with the Left

strong Social Democratic government, but I will not sit in one that starts risking the state finances."

Nevertheless, the Social Democrats would have to rely on the Left to enact legislation. If the SDP failed to reach an agreement with the Left, it could clear the way for Carl Bildt, the Moderate party leader and former international peace envoy to Bosnia, to form a four-party non-socialist government. But such a com-bination may also fall short of the 175 parliamentary seats needed to

form a majority. Support for the Moderate party is thought to have remained flat at around 22 per cent, while the centrist Christian Democrats have seen their support more than double from their 4.1 per cent in the last election The Christian Democrats - committed to a tax-cutting coalition with the Moderate, Liberal and Centre perties - have ruled out an alliance : with the SDP.

CONTENTS



FT WEATHER GUIDE

Europe today Norway will be cloudy and wet. clearing to sunny spells and vith sunny spells. Finland will ha France will have fog patches to start, but these should clear by idday to give plenty of sunshi Many parts of the Medite and Balkans will have heavy Five-day forecast Central and eastern parts of the being thundery and prolonged in central and northern Europe dry and settled, with most parts having long sunny periods, aithough overnight tog may persist in plac

TODAY'S TEMPERATURES Majorca Maita Manches Marika Maitan Maitan Masten Moscow Munich Napika N Rio Rome S. Frace Second Streeton Sydney Yangler Tel Arty Toronto Vanice Wanney Wanney Wanney Wanney Wanney Wanney Wanney Wanney POWER IS NOTHING WITHOUT CONTROL ,3000



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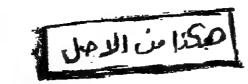
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COMPANIES & MARKETS

MONDAY SEPTEMBER 21 1998



BA hopes alliance plans will lift its ailing share price



executive, and Don Carty, head of American Airlines, will this morning reveal their plans to conquer the world. At a joint London press conference, the two are expected to announce that Cathay Pacific, the Hong Kong-based car-

rier, will join their planned worldwide alliance. Mr Ayling will be hoping his evident determination to create a force capable of taking on the sk-airline Star Alliance will lift investor confidence in his company. BA is widely admired, and often feared, by competitors. Shareholders have been less impressed. Page 20

Alarming welcome for Fiat chairman When Paulo Fresco, who next month becomes chairman of Flat, made his first public appearance at the annual meeting of Italy's largest manufacturing company in June, the company Barely three months later, senior executives are sounding the alarm bells and analysts are revising downwards earlier profit estimates. Page 21 akened minori

Africa considers integration

The twin forces of economic liberalisation and a decline in overseas aid have seen governments decline in overseas ato have seen governments from the Sudan to Malawi open stock markets in the last decade. But analysts say many sub-Saharan markets are too small to be viable and should be married to function on a regional should be merged to function on a regional

> Siemens orders surge after US deal Adolf Hütti, the president of KWU, Siemens' power plant division, has taken up golf, the favourite game of US business. His move, in the name of US-German cultural cohesion, follows the purchase of Westinghouse's electricity generation arm. However, the commercial benefits of the merger have been even quicker to manifest themselves in a surge of orders that threatens to swamp the US factories of Siemens Westinghouse Power Corporation. Page 22

Merrill offers hindsight bonds

A new type of investment bond that carries out asset allocation between European markets with the benefit of hindsight could become common as Merrill Lynch prepares to lend the weight of its name to a DM1bn (\$591m) issue. Page 24

Europe's focus turns to German polls European equities will remain under pressure this week because of mounting concern over a global economic slowdown, the election in Germany and the meeting between President Clinton of the US and Japan's prime minister Keizo

swiss spirt over goid reserves sak Swiss public opinion is divided over whether the central bank should sell part of its gold reserves, according to a new poil. Page 24

FT GUIDE TO THE WEEK

- full listings Page 36

FINANCIAL PROBLEMS World financial problems will dominate discussions when European Union finance ministers gather in Vienna for a two-day "Informal" meeting, starting Friday, Rudolf Edilinger, finance minister of Austria, holder of the rotating EU presidency, will update ministers on developments in Russia following a planned visit there during the week.

Germany votes on Sunday to decide its government for the next four years. After 16 years as chancelor, Helmut Kohl is fighting to re-election against Gerhard Schröder, the Social Democratic candidate. Opinion polis put Mr Schröder ahead, but in Bavaria's state elections this month pre-poil projections were inaccurate.

COMPANIES IN THIS ISSUE

22 Kyokuśchi

18 LTCB Mentil Lynci **Bell Canada British Arways** CBOT Oliveti CLT-Uta Orangina Philippine Airlines Coco-Cola First Comm. Bank

MARKET STATISTICS

Dispute hits Japan's bank reform plan

Robert Ayling (left), British Airways' chief struck in Japan at the end of

The split could lead to the collapse of the reforms, which pave the way for measures to tackle the country's massive

last week - with the government and opposition divided about the future of the ailing Long Term Credit Bank.

Cracks yesterday started to Obuchi and US president Rill appear in the cross-party Clinton agreement on banking reform Mr Ot Mr Obuchi was to present

> agreement as proof that the Japanese government was making progress in tackling the country's massive bad debt The news could also cause

further falls in the stock market. "The market is going to be disappointed," said James bad loan problem. Any divi-sions will cast a shadow over Fiorillo, banking analyst at

Japanese prime minister Keizo Friday night, they reached an House of the Diet. agreement. But the devil is in the details."

The agreement between the

CLOUD CAST OVER OBUCHI-CLINTON MEETING AS BIPARTISAN SUPPORT FRACTURES OVER BEST WAY TO DEAL WITH AILING LTCB

Mr Clinton with Friday's ruling Liberal Democrats and opposition parties came on Friday after weeks of intense negotiation. However, it his party to prepare for a genbecame clear over the weekend eral election, indicating that that the LDP and the opposi-tion Democratic Party of ment increased the chances Japan hold widely divergent that parliament would have to interpretations of the deal. The LDP needs the co-operation of

Democratic Party, warned yesterday that the differences in interpretation could lead to the agreement being annulled. He also called on members of he dissolved.

The agreement stated that Prime Minister Obuchi and the opposition since it does not the Long Term Credit Bank

(LTCE) - which has become a would not be used to inject test case for the government's public funds into LTCB," said Naoto Kan, leader of the policy on troubled banks - Mr Kan, But the LDP insists that the would be placed under "special public administration", or expression, "other measures" leaves the option of using the dealt with through "other mea-

> nationalised. It insists that the It as a collapsed bank. agreement calls for the abolition of a Y13,000bn (\$89bn) [opposition-proposed] scheme public fund to recapitalise to put LTCB under state conweak banks, such as LTCB. "It to have a few more choices," said Yoshiro Mori, secretary has been confirmed between myself that the Y13,000bn fund

Y13,000bn public fund to recap-

italise LTCB without treating

Union veto ousts UAL chairman's chosen successor

the biggest employeecontrolled company in America, has quit after it became clear that two unions repreback him to become the company's next chairman.

day after the stock market closed. Shares in the company could suffer when trading per cent of the company to its resumes today. While distrusted by the unions, the UAL president and chief operating officer was highly regarded on Wall Street, where he has been credited with helping to turn UAL into the country's largest Gerald Greenwald, expected

and I have the highest regard for his potential as a CEO." His chosen successor had

tional Association of Machin-The heir apparent at UAL, the ists and the Air Line Pilots parent of United Airlines and Association would not support Association would not support the appointment.

The resignation marks the second time the airline's unions have exercised a veto senting workers would not over the company's management. They also demanded the head of Stephen Wolf, the for-News that John Edwardson mer chairman who was instruhad resigned emerged on Fri-mental in handing control to employees in the first place. Mr Wolf agreed to give 55

employees in return for wage concessions in 1994 - the furthest any US airline went at the time in efforts to survive an industry-wide downturn.

at UAL is the latest sign of how labour relations have worsened in spite of the powerto retire as the company's ful rebound in airline profit-chairman next year, said of Mr Edwardson: "Both the board alice of equity ownership is now in the hands of unions. Northwest Airlines, the fourth



they were not benefiting enough from the turnaround in company fortunes.

Mr Edwardson's departure comes as UAL prepares for negotiations over union contracts that expire in 2000. Lack of union support for him was seen on Wall Street as an indilargest, is recovering from a cation unions feared he would became chies strike by its pilots, who argued have tried to drive a hard barayear later.

gain. Stating his reason for quitting, Mr Edwardson said: "United does not need a distracting or disruptive succession process." A former execu-tive vice president of Ameritech, the regional telephone company, he joined became chief operating officer

Eureko to pull out of North America

By Christopher Brown-Humes

Eureko, a pan-European alliance linking six insurance groups, will announce today that it is pulling out of North America with the sale of its Canadian and US businesses for C\$300m (US\$200m)

sures". The opposition believes

this means the LTCB will be

Jeff Medlock, managing director, said the moves would enable the group to develop further its interests in Europe. including former Iron Curtain countries.

The bigger deal involves the sale of Seahourd North Amorican Holdings to Industrial Alliance, a leading Canadian life assurer, for C\$265m in cash, Seaboard has assets of C\$1.5bn and last year schieved an annual income of C\$275m.

Eureko is also selling Vasa North America and Susboard Life Assurance in the US to Centris, a US stop-loss insurer, for about \$35m.

Eureko, which is held together by an intricate web of cross-shareholdings, was formed in 1992. Its biggest shareholder is Achmea of Holland with 34 per cent, followed by Friends Provident in the growth in premium income

members are Germany's Parion, Portugal's BCP, Tondanmark in Denmark and Länsförsäkringar Wasa in Sweden. The companies keep exclusive access to their home markets but collaborate inter-

nationally, Mr Medlock said the North American market had become increasingly competitive. The company faced a choice between growing to gain critical mass or pulling out.

The group wants to expand its European presence further to exploit the cross-border opportunities offered by the single market. Its most obvious gap is France.

The group is also hoping to announce a tie-up with a seventh European partner, Swiss Mobiliare, in October. Eureko has also acquired a company in Slovakia and announced a tie-up with Bank Gdanski in Poland.

Mr Medlock said the company ultimately intended to get a stock market listing. This month, Eureko said first half net income had risen

Rainer Gut to become non-executive chairman of Nestlé in 2000

Rainer Gut, Switzerland's best-known international banker, is to become nonexecutive chairman of Nestlé, the world's biggest consumer food company. The appointment in 2000 of

Mr Gut, who has dominated Credit Suisse Group for more

it for the past 12, surprised some observers. They had expected him to concentrate on his non-executive directorships when he retires from the banking group.

and employs more than three

Daimler-Benz, Pechiney and rose SFr54 to SFr2,680. Union Carbide.

Mr Gut, who turns 86 this 7.4 per cent increase in net mann, 48, the ex-McKinsey week, will move to chair a profits to SFr2bn (\$1.3bn) and consultant who has been company that is more than an improvement in not profit twice the size of Credit Suisse margins. The group's shares the best performing stock in times the staff. His non- the Swiss Market Index of that Mr Mühlemann, a former

executive directorships include blue-chip stocks this year -

The reshuffle at the top of Nestla amounted a reshuffle two of Switzerland's beston Friday along with its first-half profits, which showed a the future of Lukas Mühleresponsible for transforming the fortunes of Credit Suisse. There had been speculation

might leave. However, Credit Suisse named Mr Mühlemann chairman. He will continue as chief executive.

Nestlé and Credit Suisse board. have close boardroom ties. Until May 1997, Helmut who retires in 2000, was vice-

chief executive of Swiss Re, Mr Gut has been a nonexecutive director of Nestle since 1981 and a vice-chairman to take over from Mr Gut as since 1991. Peter Brabeck-Letmathe, Nestle's chief executive, sits on the Credit Spisse

Analysts welcomed the fact that Mr Brabeck, 58, Who took over as Nestlé's chief executive in June 1997, will continue chairman of Credit Suisse, and to concentrate on the role.



RICHARD WATERS

The global margin call leaves markets in a funk

Junk bonds at a premium of more than six percentage points to US Treasuries. ney supply backed in full by US dollars - at yields more than 10 points higher. Two months ago, hargains like shelves. Two months from

now, they may do so again. For now, though, large tracts of the fixed-income markets are in a deep funk. And when you stop to examine the dynamics of the modern capital markets, it is not hard Forget the fundamentals.

Whoever first described this summer's financial shock as a "global margin call" was right. In the new era of securitisation, bad news ricochets quickly around the markets - and Wall Street, which is further down the securitisation road than the rest of the world, is feeling the

pain worse as a result.

The disciplines of marking to market and the daily margin call have become the dominant forces of this era. If prices fell in one market, the loss has to be taken at once: cash margin calls must be met. That triggers the liquidation of other positions, leading to a flight from risk and paralysing illiquidity that now has so many markets by the throat.

The rolling margin call was

until Russia defaulted - Since

progressing in slow-motion

then it is has been a rout.

This devastating process seems open-ended. As a risk management expert at a New York bank said: "I'm not even sore I know how we will be able to tell when it has ended." For now, it is probably safe to conclude that it hasn't.

Marking to market doesn't work when there is, in effect, no market, says Henry Kaufman, a Wall Street economist. Who knows what the real loss is on Russian debtř

In this period of deep-freeze, "the Illiquid risk positions are sith rock-solid hard in some unsuitable hands", says the New York risk manager. The band of hedge funds and

other investment gunslingers. answerable to no one but the inexerable law of marking to market, are caught in limbo as No wonder Wall Street is rife

with talk of gunslingers like John Meriwether searching for another \$1bn or so of fresh summunition to replenish their armories. Ethan Penner, the man who generated most of Nomura's profits in the US in the 1990s through securitised real estate finance, says he is leaving (with a \$30m handshake) to start afresh. Nomura, needless to say, will keep the toxic pile of

commercial mortgage-backed bonds he left behind. Perhaps there are fresh cupplies of capital waiting to be ploughed through, and a new army of investors with an to come to the rescue. After the bloodbath of the past two months, though, that seems

For now, the huxury is to be

subjected to an accounting regime that does not force you to take the pain - something that few on the securitized Wall Street of the 1990s enjoy. If you can take a five-year view and don't have to mark to market, you're in a much hetter position," says the risk manager. For everyone else, he adds, the requirement for transparency has added to the general sense of risk aversion. Even the favoured few, however, may be advised to wait longer before diving back

into the markets. It seems a safe bet that more victims of the giobal margin call will emerge in the weeks ahead. Rumember 1994, the nearest equivalent, when scaring iong-term bond yields took months to wash through the markets, forcing Orange County into bankruptcy and belping to drive a stake through the heart of investment hank Kidder This is shaping up to be

much worse. If things get really bad, the illiquidity and osses that have already sunk a handful of fringe hedge lunds could yet take down some of the big boys - and perhans even an investment bank or two. Now that would be a buying opportunity.



That TeleWest has tunnelled

its way into the bright lights

of the FTSE 100 must leave

battle-scarred investors

performed the market by

1994 flotation to January

1998. At 169½p, the shares

are still below their 182p flo-

tation price. Acquisitions and

some 75 per cent from its 👯 🥨

COMMENT

up their slots free.

full-year pre-tax profit fore-

casts from about £700m to

between £620m and £650m,

compared with 2580m last

But this does not explain

why the market has marked

BA's shares down so much

more than those of other

strong pound and recession

When the economy looks

gloomy, investors punish the

airline. "BA is viewed in the

market as being a measure

of general economic activ-

ity," said Richard Hannah,

ne of BA's problems is

Michael Skapinker on Robert Ayling's intention to lift investor confidence

obert Ayling, British aging clash with its cabin allowed to receive cash for head of American Airlines. will this morning unveil their plans to conquer the

At a joint London press conference, the two are allow it to delay deliveries says it should be allowed to expected to announce that Cathay Pacific, the Hong Kong-based carrier, will join their planned worldwide alliance. The alliance, which has yet to receive UK and US regulatory approval, is also expected to include Qantas of Australia, Japan Airlines and Iberia of Spain.

Mr Ayling will be hoping his evident determination to create a force capable of taking on the six-airline Star Alliance will lift investor confidence in his company. BA is widely admired, and often feared, by competitors. Shareholders have been less

BA's shares open this morning at 411p. On July 7, they stood at 703p. Over the past year, they have underperformed the FTSE 100 by

Yet this is a company that attacked its cost base with vigour when the economy was strong, suffering a dam- such as whether BA will be analyst at BT Alex Brown.

Airways' chief execu- crew in the process, so that London take-off and landing tive, and Don Carty, it would be able to withstand slots it has to give up in the economic downturn return for its alliance with when it came. It has also cut expansion of its aircraft capacity, striking deals with manufacturers which will should the world economy sell them to rivals. The deteriorate further.

The strong pound and the

Asian crisis helped produce a first quarter result which disappointed the City - even though operating profits rose 23.6 per cent to £173m. There were worrying elements in the results: load factor, or aircraft occupancy, fell 2.6 percentage points to year. 67.2 per cent. Passenger yields ~ the amount customers pay for each kilometre travelled - fell 4.3 per cent because of sterling's strength and a fall in the proportion of first and busi-

ness class passengers. A further concern was that BA's first quarter figures were flattered by a fall in its fuel bill to £180m from £204m last year. Some analysts worry that BA is vulnerable to any firming of oil

There are other worries.

"The classic one used to be ICL These days it's airlines. It's not just in the UK - in the US too. American. The UK Office of But RA's defenders argue Fair Trading has recommended BA and American

the market reaction is overdone. Its forward buying of give up 287 weekly slots, but fuel has protected it from an upturn in the fuel price, they say. Its large international network means it can switch European Commission says such sales are illegal and BA aircraft from weaker routes and American should give to strong ones. For example, a Boeing 747 which was fly-Following the first quarter ing from London to Kuala results, analysts cut their Lumpur and then to Jakarta. has been rerouted to fly from

Malaysia to Sydney instead.

BA's supporters argue its aircraft buying policy has been cautious, which will allow it to adjust to any sharp downturn in the world economy. Its recent order for up to 188 narrow-bodied Airbus Industrie aircraft received wide publicity. Less companies affected by the attention was paid to the unusually small proportion of firm orders - only 59. The that it has become a bellwether company. rest are options that BA can

> And although BA's aircraft capacity will rise by 8 per cent this year, the airline said the increase over the next two years will be far

exercise in accordance with



3001, capacity will grow no likely to have to sell empty more than 14 per cent slightly below the expected increase in worldwide pas-

BA also ordered 16 widebodied Boeing 777s, with options on a further 16. But five of the 77% replace existing orders for bigger 747s. By introducing smaller aircraft, BA hopes to improve yields.

Will all this persuade the market to take a kinder

view? While RA has said little publicly, it has been arguing its case with institubeen slight. During last week. BA's shares rose 21p from their low for the year of 390p. It is a start, but it is

because they provide direct access to homes. Cable should be in pole position to become the mass-marset choice for customers in the digital age. Its broadband. technology is ideal for pumping internet services and intervactive television into homes. But the best technology does'. not always win the commercial day. More consolidation is probably needed before cable can square up to mighty Britsh Telecommunications. Meanwhile, penetration rates for TeleWest's cable TV service still look unimpressive, while'. the proportion of subscribers disconnecting is still too high.

Cable has not cast off its potential to disappoint.

Utilities are safe havens in times of market turmoil. But one of these backwaters could prove treacherous in the next few months. Water shares have outperformed the market by more than 25 per cent since May. At current prices, however, investors are possibly taking too sanguine a view of regulatory risk. In just over a month the regulator will set out a range of one-off price cuts for companies. The result could be ugly, especially if the government indicates a target i for future capital expenditure towards the lower end of the 26bn-£15bn range. Lower capex strengthens the case for, tougher price cuts. Current share prices assume a benignoutcome and investors could be in for a shock if price cuts: are much above the average 8-10 per cent many expect.

pegotiating hand with suppliers and extend the brand over:

pigger franchises. Investor confidence has also improved

after more than a year of cashflow positive results. AT&T's a

sunken cables are highly valued by telecom companies.

Astra satellite owner lifts revenues 13%

Société Européenne des Satellites, owner of the Astra satellites, reported a 13 per cent increase in revenues to six months to the end of

The company, which equity on the Luxembourg

stock market earlier this' year, said net income rose. eight per cent to LFr3.6bn. Romain Bausch, directors general of SES, said the reve-

nue growth reflected the LFr10bn (\$280m) for the introduction of its Astra 1G. satellite. However, he added that costs had increased floated one sixth of its expenditure on new digital broadcasting services.

US groups raid 'cheap' **UK** engineering sector

A quarter of the UK's publicly listed engineering a third in relation to the rest companies have been taken of the UK stock market -

More than half the £4.56bn position. (\$7.66bn) spent taking over UK publicly quoted enginééring companies has been ing to an analysis by the announced they will. Financial Times. Many engi-UK-based engineering com-panies, which have made Four businesses

years, the sector has seen its combined share value fall by with the strength of sterling reducing its competitive

In October 1996, there were 165 listed engineering companies. Since then, 41 spent by US groups, accord- have left the sector or Eight have been bought by

neering concerns are under US businesses, which have pressure. Consolidation is spent a total of \$2,42bn. Of taking place across the this, £1.5bn has been spent industry, aided by the low on the biggest deal in the stock market valuations of sector - the takeover of T&N

Kuwait and Finland in deals totalling 2304m. UK companies have spent £1.48bn on

Management buy-outs have accounted for six deals totalling £351m, while nine companies have moved into different sectors. Four comparties have closed but halancing the "shrinkage" are 18 companies that have moved to an engineering classification giving a net reduction of 23 companies.

month three businesses -David Brown, Rubicon and UPF - have been acquired Four businesses have been by US companies or subject them appear cheap to over- bought by foreign groups to a management buy-out.

Business Post awaits statement by ex-director

The suspended finance director of Business Post Group, the UK private postal company, who resigned on Friday, plans to respond this week to the company's criticism of him.

Business Post last week appeared to blame Torquil Montague-Johnstone, its suspended finance director. for last Wednesday's profits warning which caused a 47 per cent fall in the value of Since the beginning of this

Business Post shares fell by 332½p to 365p when it warned that optimistic statements on trading prepared partly by Mr Montaguecompany's annual general meeting in July - had been "unrealistic".

Last week's events appear to have spurred the finance director to resign and to plan a statement for this reek defending his actions. Mr Montague-Johstone's departure was originally announced on August 13. when it was said he would

be leaving within six months. The departure of the finance director followed the news that Michael Jones. Business Post's managing director, was planning to leave the group. Mr Jones's departure was announced at

the time of the controversial

executives were to leave brought the return of Business Post founders Michael and Peter Kane, to executive positions. The Kanes were unhappy with Mr Montague-Johnstone because he had exercised all his share options and sold his entire stake in Business Post in early July, realising 24.1m. Mr Jones sold some shares at the same time.

The news that the two

Business Post last night said it was not aware Mr Montague-Johnstone was planning a statement. "Obviously, we will wait to see what he has to say."

BROUGHT THEM TOGETHER? SUPERIOR PERFORMANCE. WHAT KEEPS THEM TOGETHER? THE BANK OF NEW YORK.

Along the historic hallways of Norwich Union, one of Britain's largest insurance companies, modern ways of doing business are the order of the day. A new way of managing assets, for instance, is raising new profits for Independent Financial Advisers like Anthony Skinner. That approach? Outsourcing the custody operations for the entire investment arm of the insurance giant. The bank entrusted? The Bank of New York. • By having the Bank manage custody of assets, the investment arm of Norwich Union has been able to concentrate on its core business: creating higher Investment returns. This in turn has helped independent Financial Advisers like Anthony prosper by having a superior set of products to market. The result: better service for all involved. • Today, thousands of clients are using The Bank of New York to create, maintain, and enhance relationships with their investors. In the UK, Norwich Union Investment Management's Daron Pearce and his client Anthony Skinner are just one example.

INVESTOR: Daron Pearce.

INDEPENDENT FINANCIAL ADVISER: Anthony Skinner.

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MANAGER MAINTENAN STREET STORES

COMPANIES & FINANCE

Ronson shares Fiat chairman faces frenetic welcome set to resume trading today

Shares in Ronson, the he bought the company, cigarette lighter distributor headed by the 71-year-old US this year as Mr Hodgson, entrepreneur, Victor Kiam, are set to resume trading on the London Stock Exchange lour, started work as chief

The move follows the approval on Friday of the placing and open offer of 850.3m ordinary shares at 1p by an extraordinary meeting of shareholders. The shares last traded in June, when they were suspended at 4%p after the group failed to announce results for 1997.

Albion Consortium Fund the offshore fund in which Jack Lyons, the financier, has an interest - will be the biggest shareholder with just over 21 per cent of the ordinary shares and 100m convertible shares. Mr Kiam has invested 11m of his own money in 100m shares, and holds warrants for another large tranche.

The group, advised by Charles Stanley, has raised more than 58m through the rescue refinancing package that was agreed last month after many delays and announced alongside the results. These showed that pre-tax losses deepened from £3.17m to £11.5m last year on turnover down 17 per cent to

.The audited accounts were qualified because of inadequate information for the first half. The group also reported pre-tax losses for the six months to July 4 reduced from £5.27m to £3.35m on turnover of £10.4m

The proceeds from the refinancing package will be used to reduce the debt of

The restoration of the listremarkable year for Ronson, including an out-of-court setexecutive. Howard Hodgson.

for liking the Remington electric shaver so much that entered the picture earlier who had built an empire from a family funeral par-

executive of the rival cigarette lighter group, Colibri Corporation. Mr Kiam said in March that there were many similarities between Ronson and Remington, which was making losses when he led a highly leveraged management buy-out in 1979. Where Remington was fighting for

shaver manufacturers as

well as razor blades. Ronson

is facing other lighter com-

panies, particularly the dis-

"I would like to build it to a company that gets the same respect as other companies that I am associated

with," he said. Dealings in the shares of Glasgow Celtic Football Chub will today move to the main market from Aim. The move is likely to help the club benefit from the recent rise in football stocks following the £623m bid by British Sky Broadcasting for Manchester United.

Celtic won the Scottish League's premier division last season for the first time since 1988, ending a run of nine victories by local rivals, Rangers. However, the start of this season has seen Celtic facing some poor results and a revolt by play-Caltic shares, issued at £54

in September 1995, closed at £295 on Friday, making the club one of the junior market's best performers. The shares will be subdivided by 100, making the likely opening today marks the end of a ing price today 295p, with a total market capitalisation £85.6m. Celtic's chairman. tlement with its former chief Fergus McCann, who owns 50.3 per cent of the shares, the 1980s stock-market star has announced be intends to leave before the end of the Mr Klam, who is famous season and to sell his shares. detail in the so-called middle

Daolo Fresco will not, be shuffling to the carefree rhythm of a samba when he walks into his new office at Fint.

The former number two at General Electric, the US con- 2.74m vehicles. glomerate, is due to start working full-time next month as the chairman of company. Hot on his desk will be the Brazilian crisis, which could severely dent company profits next year.

Everything seemed rosy at the beginning of the sum-mer. When Mr Fresco made his first public appearance at Fiat's annual meeting in June the company, streamlined around its core autosignificant globalisation strategy, was flush with record profits and revenues.

Barely three months later, senior executives are sounding the first alarm bells and analysts are busily revising downwards earlier profit

tumbled in the first quarter, from 1.2 per cent to a mere 0.1 per cent. This was largely because of what was then seen as a seasonal slide in the Brazilian car market, where Fiat sold 509.000 vehicles last year - 18.5 per nationally, such as the

The situation in Brazil has continued to worsen. Since the beginning of the year, Italy's largest manufacturing new car sales in Brazil have fallen 25 per cent. In July, Plat reduced its daily Brazilian output from 2200 to 2100

cent of its total 1997 sales of

In Madrid for a car launch last week, Paolo Cantarella, Fiat chief executive, warned of difficult times ahead. company's car division, suggested that first-half results - due tomorrow -American slump.

Fiat, says Nick Snee. motor industry analyst at egy devised by his predeces-J.P. Morgan Securities, is paying the short-term price of its globalisation. "Fiat has long had one of the most Fiat is coming under pres-

Fiat had already said in producer," he says. "Unfor-June that profit margins in tunately, while Fiat's globalits core car business had isation programme should be seen as a virtue in the long run, it does leave the group more exposed to short-term problems in the emerging regions than companies which have been less succassful in diversifying inter-

French volume producers."

Both Mr Cantarella and Mr Testore have in recent weeks continued to emphasise the company's long-term commitment to the internationalisation strategy it has crafted during the last decade. Fiat will proceed with its \$800m joint venture to build up to 150,000 cars a year in Russia. It remains committed to Brazil and Argentina, as well as Poland,

The challenge for Mr Fresco will not so much be, months ago, to internationalise even further, but to implement the global stratsors at a time when emerging markets are in crisis.

To make matters worse.

Paolo Fresco must take the heat out of global strategy during crisis, writes Paul Betts pany's most profitable divisions, which reported net earnings of L818bn (\$490m) last year, is having to contend with recession in the agricultural sector that is expected to lead to more intense price competition

among equipment suppliers. Another problem is the decline in Italian car sales following the end of government incentives.

Mr Testore said that, without new incentives, new car would fall to about 1.8m, from 2.4m in 1997. Sales this year were expected to be

Next month Fiat will layoff temporarily 6.000 workers in Italy to adjust production to the lower demand.

spots. Giancarlo Boschetto. managing director of Iveco, said this month that Flat's commercial vehicles subsidiary would show sharply higher firat-half profits. Fiat also saw its overall

European car sales grow 2.7 per cent in the first eight months of this year, giving it a market share of 11.4 per cent - second only to Ger-



Paolo Fresco: faces challenge of impleme

However, the simultapany's two biggest markets margins. J.P. Morgan expects a deterioration in second-half earnings signifiassumptions, with more disappointment next year.

After a 37-year career at At its annual meeting in GE, Mr Fresco is not walk-June. Fiat said it expected ing into a cosy retirement,

neous weakening in both line with last year's L4.182hn expect it can achieve flat - will add to the pressure on profits this year. J.P. Morgan, by the far the most bearish, expects earnings per cantly worse than market from L444 last year, dropping to L318 next year.

BDO Stoy Hayward equity partners' earnings soar

BDO Stoy Hayward, the UK's seventh largest accountancy firm, will today announce a 28.8 per cent rise in the average earnings of its equity partners to £130,000, after a 14.7 per cent increase in fee income to £122m.

The firm said its success was due to a strategy differnate the professional services sector and are restructuring to serve global clients. BDO Stoy Hayward is one of a handful of UK partner-

Adrian Martin, managing partner, said the firm was concentrating on entrepreneurial and growing busihad jumped 31 per cent to 233m and corporate finance 32 per cent to £11m.

The partner earnings figure is the key industry indicator closely watched in the £23m - with about another £5m ploughed back into the business for investment.

Current projects include a national advertising campaign and new 28m IT frameships publishing "plostyle" work. At March 31 the averannual results - and the only one giving as much the firm by an equity part-

tier of large firms below the 2141,000. The firm had taken the decision to retreat from "project-led" management consultancy - the main growth areas being developed by the Big Five firms port and advice within a long-term relationship.

Two MBOs had helped the firm concentrate on its core personal finance business from the main firm.

Mr Martin said that the Big Five were leaving behind the entrepreneurial age level of investment in structures became orien-

BIDDERAINVESTOR	TARGET	SECTOR	VALUE	COMMENT
ING (Illiands)	SHF-Sank (Germany)	Banking	\$1.33bn	Stake to 39%
Bayer (Germany)	Unit of Chiron (US)	Medic diagnistics	\$1.1bn	Bayer reshuffling
Coce-Cols (US)	Grangina (France)	Soft drinks	\$883m	French block
General Motors (US)	Suzuki Motors (Japan)	Auto manufcture	\$315m	Stake gives boost
GEC (UK)	Unit of Escint (lersel)	Medical equprant	\$275m	Tomograph trophy
Havas (France)	Anaya (Spain)	Publishing	\$244 m	Founder exits
ADC Telecoms (US)	Teledata Comms (lerael)	Telecomit	\$200m	Global move
Kwik-Fit (UK)	Speedy Europe (Int'l)	Auto repetrs	\$176m	Canadian disposal
Elan Corp (treland)	NancSystems (US)	Pharmaceuticals	\$150m	Delivery deal
Cushman & Wakofieki (US)Healey & Baker (UK)	Property arves	\$118m	More consolidatio



Stentor groups agree fights to loosening of alliance

By Scott Morrison in Toronto

The alliance formed by Canada's regional phone companies to long-distance competition has been virtually dismantled after members agreed they needed more flexibility to adapt to the rapidly changing C\$14bn (US\$9.16bn)

The Stentor alliance said its 11 members would individually assume responsibility for a wide range of functions currently performed by the alliance's staff on a collective basis. It is thought that the restructuring. which will do away with the understanding that members do not compete against each other in their regional markets, will further increase competition in the Canadian market and enable the companies to meet specific cus-

As of January 1999, the 11 former monopolies, which include Bell Canada, BC Tel and Telus, are to be responsible for product and service development, technology development, management of regulatory issues and national sales support.

About 1.000 Stentor employees will be transferred to member companies, while another 800 workers are to continue to operate and manage Canada's national network, comprised of regional networks owned by Stentor members.

The decision to decentralise the alliance's functions effectively reduces Stentor to a vehicle through the agreement of the group's exchange of traffic can be implemented. The companies will become be free to axpand beyond their regional boundaries. A decision on the future of the alliance's policy, advisory and government relations arm Colin Latham, chairman of they are free from the in a co-operative alliance.

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Change calls: more flexibility needed in C\$14bn market

the Stentor alliance of chief executives, said the restructuring would enable the group's members to better meet customers' needs. "It's time to move on. We had to

Previous alliances among the companies evolved into the Stentor format in 1992 to help them manage the transition from a monopolist to a competitive market. Stentor acted as a marketing, lobbying and co-ordinating body for its members, but detractors said the alliance had become too cumbersome to allow members to respond quickly to Canada's increas-

ingly dynamic marketplace. Alternate long-distance providers, such as Sprint Canada and AT&T Canada. have been gaining market share by repeatedly lowering rates and providing better services through seamless national networks. And a number of other providers are scheduled to begin offering local service in selected

markets in early 1999. Bell Canada, Telus and BC Tel. the three largest Stantor members, are seen as the most likely to thrive once which was governed by con sensus. The smaller compa nies will continue to serve their local markets and possibly seek out niche markets on a national scale.

"Every Stentor company will be much more focused responsive and agile," said Winfried Freuhauf, a telecoms analyst at a Toronto brokerage.

Stentor's fate was sealed earlier this year when Telus, the Alberta phone company engaged in talks to form a business combination with AT&T Canada, Discussions broke down, but they served notice that Telus, among others, was no longer satis fled to operate within the confines of the alliance.

At least one Stentor member, however, acknowledged that it was likely that the new arrangement was a "band-aid" to hold together the alliance temporarily Changes in the market and the likelihood of future mergers and acquisitions meant the group's members would increasingly view each other in a competitive light rather than as partners

Manila save PAL from closure

said yesterday that it was making every effort to save Philippine Airlines, which has announced it will shut up shop next week, reports uters in Manila.

"With two days to go before Philippine Airlines closes down. President Joseph Estrada is still trying to get the airline's manage ment and labour to agree to a settlement that can keen the airline in the air." said a spokesman for the presidential palace.

"The president is exhausting all efforts to arrive at a middle ground, be added.

Asia's oldest national nirline has said that it will operations after 57 ears at midnight on Wednesday, pointing to enormous losses and protracted disputes with its pilots, flight attendants and ground crew unions.

PAL took the decision after its ground crew union reversed its earlier accep tance of the management's offer for employees to own a 20 per cent stake in the air line in exchange for suspending labour bargainings for 10

The union proposed a five year suspension. PAL's creditors and potential investors have set industrial peace as a condition for rehabilitating the airline.

A three-week pilots' strike in June dealt PAL a heavy financial blow, forcing the airline to seek a moratorium on its \$2bn

President Estrada has said he will meet management and the unions today to try to work out a compromise However, there is no indication that such a meeting has been sched-

Siemens orders surge after US deal

Direct benefits of the merger will start to flow next year, writes Christopher Parkes

new US orders to continue all types of power plant

Although growth elsewhere will not be

as vigorous as in the US, worldwide

demand for all types of power plant

are expected to continue to grow for

the next decade, with rises of about

20 per cent a year in generating

capacity up to the end of 2002.

power interests in the

build 41 gas turbines, worth

more than \$1bn, and it

expects aggregate growth in

well above recent levels for

Huttl said.

Although growth else-

where will not be as vigor-

ous as in the US, he forecast

that worldwide demand for

play golf. Quick to the new company, which recognise the need for represents the group's fossil US-German cultural cohesion following the August 1 completion of the purchase of Westinghouse's electricity generation arm, the presi dent of KWU. Siemens' power plant division, has taken up the favourite came of US business

However, the commercial benefits of the merger have been even quicker to manifest themselves in a surge of orders that threatens to swamp the US factories of Siemens Westinghouse Power Corporation. Although the Asian crisis

has obliged the Siemens group to reduce next year's sales expectations in the region by up to 30 per cent, this has been more than offset by rapid growth in the US and Latin America, says Randy Zwirn, president of the new company.

Chinese demand was still

stable. Mr Hüttl said, and

pointed out that despite the economic disruption, no orders from elsewhere in Asia had yet been cancelled As a result, SWPC's gas turbine production schedules are almost full for the next two years or more, and with many US buyers pressing for installation in time for the summer peaks of 1999 and 2000, customers outside the US may find they have

to wait longer than usual for deliveries, he said during a

meeting of the World Energy

ket, which this summer saw spot prices rise as high as \$7.000 per megawatt hour as robust economy stretched existing generating capacity. The US summer

peak load was 5 per cent

"Our manufacturing capac-

ity is full until well into

rise in orders relate to weak-

nesses in the increasingly

The main reasons for the

ulated US power mar-

200L" Mr Zwirn said.

higher than last year. We saw a number of companies that had entered the energy trading business badly . . . and

for the next decade, with rises of about 20 per cent a year in terms of generating canacity through to the end

he more direct benefits of the merger completed on August 1, such as the cost savines expected from restructuring and workforce reduction, will probably start to flow next year. according to Mr Huttl.

Although he described the companies as a perfect match" with few overlaps in production - Westinghouse is strongest in markets with a grid frequency of 60 Hertz and Siemens specialises in

In the past four months, on the physical assets that 50Hz equipment - he promare necessary to back-stop improvement". these transactions," Mr

"The earliest effects can be expected in our purchasing sector, followed by the rear ganisation of our global manufacturing and supply management network," he said. And all changes would be based on the basis of "best practices", regardless of whether they originated in the US or Germany.

Set on avoiding the cultural conflicts comparable to those which dogged conservative Siemens' fumbled takeover of the entrepreneurial Nixdorf software business into its information technology hardware business. Mr Hüttl said he had established a "ground rule" that SWPC would be an American company.

This is one of our big issues." he said, and external consultants would be hired to offer expert advice. "To some extent it depends on ninimise our mistakes."

Mr Zwirn appeared to harbour few concerns. "Very early on they made it very clear we'd be treated like a merger rather than an acquisition. We don't believe we've been taken over, we feel we have been saved," he

Even so, he added, he would have felt even more comfortable had the merger between Daimler-Benz and Chrysler been completed a

Oki extends holidays to cut costs

extended holidays in an attempt to bring its lossmaking chip unit back into the black. Oki, which accounts for

less than 1 per cent of the

its Miyazaki and Miyagi plants home for 10 days this

The two plants, which are located in northern and southern Japan, employ about 2,800 workers and manufacture 1-megabyte. 4-megabyte, 16-megabyte and memory market, said it 64-megabyte dynamic access

plans to send employees at random memory (D-Ram)

The company has already completed its first round of temporary work stoppages. Earlier this month, 600 employees at the Miyazaki plant were sent home for three days. The group declined to say how much it expected to reduce expenses as a result of the move.

chip factory in Thailand, ther cutbacks in its semiconductor business. Last year, the group fell into the red with Y8.1bn (\$61m) in net losses on sales of Y764.6bn. up 4.4 per cent against the year before. The group hopes to return to profitability in the year ending in March.

VALEO HALF YEAR RESULTS Net income up by 13% Launch of the integration of ITT Electrical Systems

Consolidated accounts (in FF) milion)	lst half 1996	1st half 1997	°• change 1998/1997
Saler	19.180	17.260	+ 11.1%
Gross margin (in ^e a sales)	3.896 20.3%	3.489 20 1°a	+ 12.3%
Operating income (in sales)	1.313 68° 3	1 148 6 7° •	+ 14.4%
Net uscome (m ° i sales)	836 4 4°°	740 4 3%	+ 13.0%
Cash flow	2 008	1,819	+ 10.4%
Capital expenditures	1.365	1.415	- 35%
	At June 30th 1998	At December 31st 1997	
Stareholders' equity	12.561	12.234	+ 5.9%

1,209

Taleo's Board of Directors meeting on September 15th 1998, closed the Group's consolidated accounts

■ The 11.1% rase in Valeo's consolidated sales in the first half 1998 includes 8.4% generated through internal growth, 1.9% related to the extension of the reporting entity and 0.8% to net exchange rate variations. It does not therefore take into account the recent acquisition of ITT Electrical Systems which

for the first half of 1998.

Net indebtedness

will be consolidated as from October 1st. Sales grew by 9% in Europe and 18% outside Europe, that is an increase significantly greater than automotive output.

Operating income increased more rapidly ■ Net income amounted to FPr 836 million, up

by 13°s. ■ Research & Development expenses rose by 15% and accounted for 6.3% of Valeo's sales for the first half, against 6.1% during the first six months of 1997. This increase reflects Valeo's continuing efforts to offer automakers

ever more innovative products and systems. ■ Cash flow for the first half of 1998 largely covered the Group's capital expenditures. At June 30th its debt-to-equity ratio was reduced to 9% against 11% at the end of 1997.

The acquisition of the Electrical Systems business of ITT Industries

The first six months of the year were marked by the signing of an agreement on June 35th to acquire the Electrical Systems business of ITT Industries.

Electrical Systems achieved sales of US\$ 1.9 billion in 1997 and employs 13,000 people at 13 production sites and 3 R & D centers.

This acquisition strengthens the Group's core businesses and customer base and ranks Valeo as one of the major players in the growth area of automotive electrical and electronic systems. The perfect fit with Electrical Systems will allow

- 8 3°a

1,318

- gain world leadership in wiper systems and electric motors. -double sales in electronics through the

integration of sizeable business in the area of switches and sensors.

- strengthen its positions in engine cooling and climate control.

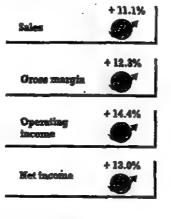
-increase its technological expertise and innovation capability in each of these areas. The Group has already started to implement plans to fully maximize the considerable synergies that exist between the acquired activities and those of Valeo.

Valeo intends achieving this goal through the application of its 5 Core Strategies methods, the extension of a decentralized organization based on autonomous profit centers and the rationalization of industrial assets. This should result in significant operational

savings and in more capital-effective management.

The acquisition of Electrical Systems was financed for two thirds by the issue of shares with warrants attached. The operation raised FFr 6.8 billion in capital in line with the planned

The consolidation of the activities of Electrical Systems is scheduled for the end of September. The financial structure of the Group following this acquisition and the capital increase will remain sound with a debt-to-equity ratio at 35%.



Outlook

The Group generates in excess of 90% of its sales in Western Europe and North America. These two regions are home to the world's main automotive market where demand remains

However, in response to the crisis in emerging countries and to the economic threat hanging over North America and Europe, Valeo is accelerating the implementation of its rationalization plans

In 1998, the Group's consolidated sales are expected to reach around FFr 40 billion, including the contribution of FFr 2.8 billion in sales from Electrical Systems in the 4th quarter, against FFr 34 billion in 1997 (+ 18%). On an annualized basis. Valeo's sales would amount to FFr 48 billion.

Through innovation and rigorous management, Valeo intends pursuing its strategy of profitable growth at the service of its shareholders.



Financial Times Surveys

Mexico

Tuesday October 6

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or Lourdes Berho in Mexico City Tel: +01 525 682 8122 Fax: +01 525 536 5690

FINANCIAL TIMES No FT, no comment.

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Receipts due 2003

Interest Period September 13, 1998 December 18, 1998

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COMPANIES & FINANCE POLYGRAM BID EC DECISION ON \$10.4BN OFFER EXPECTED TODAY

Seagram waits for go-ahead

Seagram, the Canadian entertainment group, hopes today to secure clearance from the European Commission for its \$10.4bn bid for PolyGram, the Dutch music company.

If the bid, the largest in music industry history, is approved by Brussels, Seagram will then make its final filings with the US Securities & Exchange Commission. It aims to complete the deal by early November.

Seagram, which plans to cut annual costs by up to \$300m by merging Poly-Gram's music interests with its Universal Music subsidiary, has already cleared the deal with US regulators, and does not expect any problems in Europe. However, if the European

mount a full-scale investigation. Seagram would face a potentially damaging delay. It cannot start to merge PolyGram and Universal until after completion, but is

7.4 per cent to \$1.6bn.



Alain Lévy: originally given \$40m of discretionary funds

already planning the merger process advised by Boston Consulting Group (BCG).

schedule by early November Seagram formed 30 teams to prevent any further deteof PolyGram and Universal rioration in the performance executives (drawn from the of PolyGram, where staff same disciplines or regions) have been destabilised by to discuss the restructuring. the forthcoming merger. They are now making their PolyGram executives have also been disgruntled by the

discretionary fund originally given by Seagram to Alain Lévy, PolyGram's former The fund has been allo-

cated by Jan Cook, finance director and acting chief executive. There have been complaints that only \$5m-\$6m was given to US personnel, and a relatively small proportion went to record executives in Europe. Another row erupted last

week when Hits, a US music magazine, reported that BCG was to receive an \$80m consulting fee. A senior executive described the report as "not inaccurate". Seagram declined to comment.

Rival groups have been trying to exploit PolyGram's Seagram is anxious to instability by courting its complete the acquisition on executives. Paul Dickson, head of PolyGram Australia, resigned last week to become chief executive of News Corporation's Mushroom Records. Bertelsmann Music Group has hired four of PolyGram's European

GFSA sale talks fail

By Frederick Stüdemann in Berlin

CLT-Ufa improves

increased market share, and the disposal of non-performing subsidiaries. CLT-Ufa, Europa's biggest broadcasting group, expects to reach break-even in 1998 In Germany CLT-Ufa owns RTL, the biggest commercial after a first half in which net TV channel, and has stakes operating profits more than

doubled to \$86m on sales up A turnround at other lossmaking businesses, such as The Luxembourg-based the RTL2 television channel company, which is owned by in Germany and a similarly Audiofina of France and the named radio station in German media groups France which reached Bertelsmann and WAZ said break-even, also contributed the improvement was driven to the improvement in the by business in Germany and group's performance in the the Netherlands, where its

Gold Fields of South Africa. the mining house to be dissolved following the unbundling of its assets to in four other channels. shareholders, has said negotiations on the sale of its Northam Platinum mine to Anglo American Platinum Corporation had ended without a deal being concluded. Company sources said the two sides could not agree on

with its subsidiaries New R7bn (\$1.1bn).

"In a country that is still poor, it is unlikely that the

locals can absorb much

Capital Markets Authority

deal with the issue of inte-

before we move further."

tion in the short term. These

foreigners, so I think inte-

opened last week in Abidjan,

With a market capitalisa-

tion around the \$1.5bn mark,

the Bourse Régionale des

Valeurs Mobilières will serve

other regions in Africa.

The new west African

However, Japheth Katto,

stock," said one analyst.

per cent stake in Northam. said the mine would continue to operate as before

for the time being. "No other offers for the platinum operation are currently being considered," GFSA maid.

On Wednesday, GFSA shareholders approved the unbundling of the group's main holdings in Gold Fields Ltd and Standard Bank Investment Corp. Those GFSA, which together stakes are worth more than

EMERGING MARKETS MEETING AIMS TO RESOLVE CULTURAL AND ECONOMIC DIFFERENCES

Africa considers integration

By Joel Kibazo

International investors will be watching to see if the African. Stock Exchanges Association meeting, which begins today in the Zambian capital of Lusaka, lives up to its theme of "integration and growth of African capital markets".

The twin forces of ecodecline in overseas aid have seen governments from the Sudan to Malawi open stock markets in the last decade.

While the trend for a more <u>rommercial environment bas</u> een welcomed by both donors and international investors, analysts say many sub-Saharan markets (excluding South Africa) are too small to be viable and should be merged to function on a regional basis.

However a combination of national pride, competition for limited funds, different financial reporting systems and tax structures, and a lack of agreement on issues such as custody and settlement has so far prevented a move toward integration.

Michael Power, at Baring Asset Management, says: 'Although it is important to have a living, breathing stock exchange, the arguments for regional markets are very clear. I would rather focus on a regional exchange where I can get cross-comparisons within sectors and across companies which we can't do now because of how small these markets are. They are limited in terms of stocks, and

thus liquidity." Many point to east Africa as an example of difficulties encountered by international

Although Kenya, Tanzania and Uganda signed the East African Co-operation treaty, stock with underwriters.

agreeing to harmonise their economies and eliminate barriers to trade, their respective equity markets have moved in different

Specialists on the region believe Kenya's Nairobi Stock Exchange, which started trading in 1954 and relaxed foreign investment rules in 1994, should have remained the market for all listed companies from the three countries.

Instead, Uganda opened a stock market late last year, but the slow privatisation programme has ensured that not a single company has yet

Investor sentiment was recently dented by a vote in Parliament to put the brakes on privatisation.

Tanzania followed suit in April. While the move marked another step in the country's shift away from its socialist past, international gration is some way off." investors remain disappointed and frustrated at its refusal to embrace foreign

Analysts point out that the placing of Tanzania Oxygen, the first listing on the bourse, was undersubscribed and left 13 per cent of the

Coast, Mali, Niger, Senegal and Togo, which together with Guines-Bissau form the West African Economic and Monetary Union. In the initial stages, the

BRVM will operate under a provisional electronic trading system, with national exchange offices in member countries faxing in their

offices will be linked to the automated bourse via a satellite transmission system. Alexander Holcroft at Flemings said: "This kind of arrangement broadens the market and allows for critical mass. Another benefit of this will be, going forward, the uniform trading, custody and settlement across the

chief executive of Uganda's With the exception of Zimsaid: "We realise we have to babwe, where the industrials do something and we have index has declined by 78.2 per cent in dollar terms this already started serious discussions. The ministers have year, mainly for domestic asked to see a timetable to reasons, the region as a whole has remained attracgration. We are likely to tive to investors in spite of start with cross-listing the downturn in emerging marketa.

Elizabeth Morissey of Klei-While the IFC emerging man International, the markets index has fallen by Washington-based emerging around 37 per cent in dollar markets consultancy, said: markets such as Ghana have "Integration is going to be an issue that keeps coming moved strongly ahead. up, but I can't see a resolu-

That hourse has risen by 80 per cent in dollar terms in the last year, while Botare countries that have not even started addressing swana and Nigeria have also issues such as different tax outperformed the IFCL regimes, custody, access for

Jonathan Garner, director of emerging markets strategy at Flemings said: "These markets are becoming more regional bourse, which and more relevant because they are able to make positive dollar returns. The Midmay serve as a model for dle East and Africa now accounts for around 12 per cent of emerging markets capitalisation, a ratio which has doubled in the last Benin, Burkina Faso, Ivory year.

CEMENT

Cemex revives bid for stake in Semen Gresik

Cernex, the Mexican cement company, has renewed its bid for a stake in Indonesia's largest cement factory even

stake in Semen Gresik, a partially privatised cement company. The government rejected an earlier bid by Cemex, also at \$1.38 a share, for 35 per cent after it bowed to public protests at two plants. As the government only holds 65 per cent, Cernex would have been able to buy 16 per cent on the market and obtain majority control if the sale had gone ahead as planned. Cemex said it now aimed to buy at least 6 per cent on the market, giving it 20 per cent. Cemex still faces possible counterbids next week, however, from Holderbank, Heidelberger and

Shares in Semen Gresik jumped from Rp7,150 to Rp7,425 yesterday in expectation of Cernex purchases on the exchange. Sander Thoenes, Jakarta

ELECTRONIC TRADING

CME launches new system

The Chicago Mercantile Exchange is to begin trading at the start of a link-up with Matif, the French derivatives

The CME and Matif alliance follows an exchange of trading technologies, which allows members of each market to trade the other's products on a single system. Globex 2 is based on technology originally developed by Matif. Daily

The Chicago Board of Trade, the CME's main US rival, also unveiled new technology yesterday with the launch of MarketPower, an interactive trading system for US treasury bonds. The CBOT said the new system would enable investors to cut costs by providing investors with instant access to prices and trading volumes in the US government bond market, the most liquid market of its type in the world. Vincent Bolund

INVESTMENT BANKING

SSB recruits from rivals

five people from rival securities houses in an effort to strengthen its corporate advisory and debt origination businesses for the UK and ireland.

soriby joins from Deutsche Bank as a director of the UK and ireland coverage group headed by Anthony Nelson. Philip Keevil's European M&A team is adding Steven Fobel, formerly of ING Barings, as a director, and Anthony Parsons and David Smith, both from Deutsche, as vice presidents. Pippa Mason is leaving Warburg Dillon Reed to ioin Salomon's debt capital markets team as a vice prealdent responsible for origination in the UK and Ireland.

Mannesmann, the German conglomerate, has completed communications and office equipment group, by paying L641bn (\$383m) for a further stake in OilMan, their tele coms joint venture. Olivatti said on Friday that Mannesmann had bought a 12.5 per cent interest in OliMan, lifting its total holding to 37.5 per cent.

Mannesmann confirmed the planned acquisition last month, saying it hoped to increase its stake by a further 12.4 per cent by the end of February 1999, paying an additional L655bn and taking its holding to 49.9 per cent.

RETAIL

Mitsukoshi warns

Mitsukoshi, Japan's second largest department store operator, has warned that its performance in the first half of this year would be much worse than expected. The group, which has been hit by the collapse in consumer demand in Japan, cut its earlier earnings forecasts in half, from Y1bn to Y450m (\$3.4m). This compares with losses of Y33.8bn In the same period the previous year. Sales would be

The warning was in line with market expectations. On Friday, shares in the group were up 0.65 per cent or Y2 to Y312. Alexandra Harney, Tokyo

SOFTWARE

Hungarian group opens IT park

Graphisoft, Hungary's largest home-grown software company, has officially opened the first stage of a \$30m, 7 hectare Information Technology park in Budapest.

Gabor Bojar, Graphisoft chief executive, said the park,

which already boasts Microsoft Hungary as one of its first tenants, will give start-up IT companies preferential rents to encourage Hungarian computer specialists to develop in their homeland rather than take their talents abroad. The company itself employs 150 people at its headquarters in the park. Kester Eddy, Budapest

NEWS DIGEST

though it can now buy only a minority stake.

Cemex bid \$114.6m, or \$1.38 a share, for a 14 per cent

tomorrow on Globex 2, its new electronic trading system,

trading on the new system will begin after business ends on the CME's open outcry trading floor, and the exchange says Globex 2 will allow for almost 24-hour trading.

SGA SOCIETE GENERALE ACCEPTANCE N.V. FRF 308 008 000 REVERSE FLOATING RATE NOTES DUE DECEMBER 1999 ISIN CODE: XS0040631805

Salomon Smith Barney, the US investment bank, has hired

or the penied September 17, 1998 to becember 17, 1998 the new rate has been fixed at 15,9336 % P.A. Next payment date: December 17, 1998 Coupon ar: 23 Amount: in the mergers and acquisitions sector, Matthew Pon-Amount : FRF 4 027.66 for the organism of FRF 100 000 FRF 40 276.60 for the semaniqu of FRF 1 000 000 REPRINCIPAL PAYING AGENT SOCIETE GENERALE BANK & TRUST S.A.

TELECOMMUNICATIONS

Mannesmann lifts OliMan stake

FT Director

Friday November 20

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FINANCIAL TIMES No FT, no comment.

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BHP admitted that the Asian economic crisis was continuing to affect the Australian resources group's profitability as it reported a 1.7 per cent drop in net profit to A\$351m (US\$207m) for the three months to August. Ron McNeilly, chief oper-

ating officer, said given market conditions, the August quarter was "a solid one which reflects encouraging progress with our business improvement plans". However. he warned: "I foresee difficult market conditions for some time to come."

The first-quarter result

was boosted by A\$100m of profits from asset sales. including a A\$46m gain on the sale of two-thirds of the group's stake in Orbital Engine Corp.

operations in Asia had problems with domestic sales and were redirecting sales to export markets.

The company's steel activities in Australia and New Zealand have also reduced their exposure to Asian markets from about two-thirds to one-third of total exports. The Asian crisis was also

partly blamed for weak

have cut into BHP's profits. However low US dollar commodity prices were offset to some extent by the Australian dollar's weakness against the US currency.

BHP said its world miner als division, which saw a A\$70m loss, was hit by continuing high operating costs at the Hartley platinum mine in Zimbabwe and the Beenup mineral sands operation in Western Australia.

The petroleum division was affected by significantly lower crude-oil prices and lower profits from sale of assets, but this was partly offset by increased sales volumes and lower exploration

BHP's copper arm was given a boost by the resump tion of operations at Ok Tedi in Papua New Guines, but this was countered by lower average copper prices.

cost reduction initiatives continue to be reflected in lower production and over head costs, particularly at the coal, ferrous minerals and copper divisions." The during the quarter.

The company maintained its quarterly dividend at 25

Merrill offers hindsight bonds

A new type of investment bond that carries out asset allocation between European markets with the benefit of hindsight could become common as Merrill Lynch prepares to lend the weight of its name to a DM1bn (\$591m)

Merrill was beaten to the markets last year by Johnson Fry, a tiny UK fund manager, which raised several million pounds for its nated in Deutsche marks Dublin-based 20:20 Hindsight and will be listed on the Won3,400bn. fund, but Merrill expects to raise far more money, helped by its strong distribution

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The bonds, part of Merrill's Euro-certificates range. will be sold primarily to rich private investors via private banks and up-market finan-

Onno Vriesman, assistant vice-president, product development, said the bonds would help investors overcome uncertainty in European markets. He expected to sell DM300m within weeks, with up to DMIbn

seven years, allocate the initial investment between eight European stock markets - including the UK according to each market's performance, with the best performer gaining 16 per cent of the investment and the worst 9 per cent.

according to market indices, although investors sacrifice The bonds are denomi-

Luxembourg stock exchanges as well as two smaller German markets. Graham Hooper, invest-

ment director of Chase de Vere, the UK financial adviser, said: "It is a concent that has been bumped around the market for a while, but it has not had the credibility of a name

Merriil behind it." "I think now we will see variations of it (from other investment banks! - I am surprised no-one apart from Johnson Fry has done it

Ssangyong to focus on core

South Korea's leading conglomerates, is to focus on its core cement business after deciding to sell its oil refining division and following the recent acquisiiary by a US investment company.

Ssangyong is disposing of most of its assets to pay debts of nearly Won3,000hr (\$2.16bn) that were amassed during an ill-fated attempt to manufacture cars.

The group has decided to sell its 28.4 per cent stake in Ssangyong Oil Refining for an estimated \$500m, possibly to the Saudi state-run oil company Aramco, which already owns a 35 per cent

Ssangyong Investment & Securities last week became the first Korean securities firm to be sold to a foreign investor, in a deal with Hambrecht & Quist of the

Ssangyong decided to sell its securities unit. Korea's fifth largest brokerage house, after it lost Won263.5bn in the last fiscal year owing to the poor state of the Seoul bourse and an ill-timed expansion of its business operations. H&Q. a San Francisco-

based venture capital firm, business for an undisclosed

capital investment by buying rights issues and convertible bonds to be issued by Ssangyong Securities to raise its capital adequacy ratio and avoid a threatened closure by the government for its poor financial status. The Ssangyong group

encountered financial prob lems because of heavy investments in the mid-1990s to produce cars in co-operation with Mercedes Benz. The car division, Ssangyong Motors, was sold to Daewoo last December, although Ssangyong was forced to

In an effort to raise capital of at least \$1bn, Ssangyong to Procter & Gamble, a California hotel, three shipping vessels, and the Seoul head

Ssangyong plans to cut its high debt burden in half to two times equity by the end

Ssangyong will concen trate on its main cement operations, which includes the world's largest cement plant with an annual production capacity of 11m

INTERNATIONAL BONDS DISMAL MACROECONOMICS UNDERLIE UNPRECEDENTED BULL RUN

JGB yields reach worldwide lows

government bond is being changed tomorrow. The 182nd bond was getting too long in the tooth to be called a long-bond. With only seven its yield had fallen at the end of last week to an astonishing 0.675 per cent - the lowest in the world. However, it is not that this

the product of its position on the yield curve. Its replace-ment, the 203rd 10-year bond issued in May is yielding months ago the 182nd was offering 1.4 per cent and only the most pessimistic commentators believed it would

all to 1 per cent. reasons for this inprecedented bull-run in the bond market are not hard to fathom. Underlying everything is the dismal nacroeconomic environ-

The Japanese economy has just completed its third quarter of negative growth. Broker Warburg Dillon Read has just cut its GDP forecasts, predicting contractions for the next three calendar years of 1.7 per cent, 1.9 per cent and 0.9 per cent. Susumu Kato, chief econo-

benchmark bleak. "There may not be self-sustaining growth for three years, possibly even

for bonds. The deflationary pressures are huge. The 21 wholesale prices is feeding through to the consumer level. HSBC is predicting the consumer price index will dip this quarter and decline for the five succeeding quarters - effectively into the

The recession means gov ernment bonds - even at yields of 0.675 per cent or 0.83 per cent - present an attractive investment for those that have to own Japa-

new millennium.

government's to kick-start the economy was to cut the over-night call rate to just 0.95 per cent. As for equities, their dis-

mal yield of just under 1 per cent scarcely compensates their value. Last week the Nikkei 225 htt a 12-year low. The return on the stock market is clearly negative. The attraction of govern-

Capital, believes the outlook the supply/demand balance. mary supply of bonds. And is leading it to buy up bonds

The financial institutions that sell to the BoJ then just buy more in the primary boosted by the fact that these are, after all, zero-risk assets, an intustial commod-

buoying the market, there is a real danger that Japanese government bonds could crash, warns Mr Kato at Barclays Capital. The biggest threat is a global crash, beginning in Latin America and feeding through to the US and global markets.

Other threats include the because it is running out of money. Although the sales tax was raised last year from 3 per cent to 5 per cent, government revenues are failing

Last week, Tokyo said its tax take had fallen 8.6 per cent below target, a figure likely to be repeated at national level. The final threat, according to Mr Kato,

rather unexpectedly, to

However, the most compelling reason for the market to remain at these heady levels is that the government cannot afford to let it fall. Japan's beleaguered banks are among the biggest investors in the market. Battered by losses on their holdings in the stock market, the banks are also suffering

of the collateral for these

cash-flow position of many of their customers has had a devastating effect on their

which at the very least would exacerbate the credit crunch, and at worst could cause a systemic failure. The nomic consequences of a able that, if it remains in its power, the government will

MEN ES PIARE

Mygas carnings

holster results

Japanese metals group will acquire a controlling stake of 28.1 per cent in the husiness for an undisclosed

rision cases, and Mita Indus-

trial, a photocopier maker.

founded in 1937 as a metals

trader, ran into funding diffi-

multimedia and internet

group that expanded into software and temporary staffing, has filed for bankruptcy in a local district court with an estimated Y3.5bn (\$26.4m) in liabilities. Yahagi is the fifth listed

Japanese company to go research group. ouses, filed for bankruptcy, following the collapse of

hankrupt this year, according to Teikoku Data Bank, a Last month, Okura, one of

Last year, the group tried to raise new capital through a third-party share issue to Kyokuichi, a small multimedia and clothing company, staffing business through a deal with Pasona, Japan's

telephone services.

However, the company met further funding troubles, prompting two execu-Yahagi, which was tives to resign at a board meeting earlier this month. The group, which employs 66 people, has ties with the culties this year after attempting to move into

Industrial Bank of Japan, which holds 4.1 per cent of the company. It could not be reached for comment. The announcement was made after the close of trad-

ing on Friday. Shares in Yahagi ended up Y5 at Y29. The stock, which will be delisted next, month, has fallen 93 per cent from a 1998 high of Y440 in March

Swiss divided over sale of gold reserves council, found 42 per cent

divided over whether the central bank should sell part of its gold reserves, according to a new poll.

Draft legislation was approved by the Swiss federal government in May. which would allow the bank to revalue and gradually sell 1,300 tonnes of gold, about half its reserves. The plan would have to be approved

The poll, conducted by the Swiss organisation GfS on behalf of the World Gold

agreed. The remaining 18 per cent were "Don't Knows". But the poll also found that 69 per cent of the non-

ulation thought it was "rather important" for Switzerland to have substantia gold reserves and only 25 per cent thought the current level was excessive. A substantial gold sale by

the Swiss Central Bank effect on the bullion price.

Electric warns of first-half deficit

revised downward its sales and profit forecast for the 12 months to March 31, 1999 and warned that, for the first time in 22 years, it would report a first-half loss, reports Dow Jones in Tokyo.

The Japanese electrical actinery maker also said it would axe 10 per cent of the workforce, pass its interim dividend and that it was undecided on the year-end

forced Japanese companies to hold back capital outlays on new plant and equipment, thus leading to weakness in prices for Fuji's industrial machinery.

The sluggish Asian

Fuji added that the slump in the personal computer market had helped to worsen

magnetic memory products. fiscal year, well below its previous forecast of Y10.5bn. Net profit is now pegged at Y2hn, against the previously

Sales are now expected to Y550bn, compared with

For the first half to September 30. Fuji said pre-tax losses would be Y1bn, net losses Y500m and sales

would not be able to avoid revising its sales and earnings outlook on a consolidated basis for this fiscal year, saying it was currently

performance. Fuji said it through a reduction in staff. On a consolidated basis, it

would cut its workforce by

about 10 per cent to 30,000 by

On a parent basis, it will reduce workers by 1,000 to 13,000 by March 2000, in part through natural attrition and a voluntary retirement

The company will also freeze new capital investment in principle for the time being

It will also reduce spending on research and development to Y32bn from the Y33.7bn initially planned.

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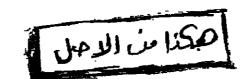
Editor: David Cairns, former secretary general of the International Accounting Standards Committee.

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MARKETS WEEK

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NEW YORK

Each time Treasury bond prices seem to get ahead of themselves, yields resume their march lower. Last week ended with a record low yield on the long bond, at 5.15 per cent - despite a reversal when hopes for a co-ordinated cut in global interest rates were dashed. Two-year notes also shrugged off the disappointment and the

vield fell to 4.68 per cent. With the Fed due to decide a week from tomorrow on whether or not to cut interest rates, there is likely to be little in this week's flow of domestic economic data to tip the decision one way or the other

Thursday's release of durable goods orders for August is expected to show a moderate increase of 0.5 per cent, slower than the sharp rise in July. Friday should bring evidence of continued strength in personal incomes (up 0.5 per cent in August) and consumption (up 0.6 per

COMPANIES DIARY

ENI's gas earnings

Benchmark yield curve --- 18/9/1998 - Month and

More important in the Fed's deliberations could be the direction of financial markets. A rally in the stock market would make it difficult for the Fed to ease Paradoxically, if hopes for a cut fade this week, share prices could stumble making it more likely that rates would be cut.

LONDON

By Steve Thomason

After last week's turbulence, which saw the FTSE 100 index drop below the level at which it kicked off the year, investors will be watching carefully for evidence of

more profits warnings. A mixture of warnings from leading stocks caused much of the turnoil in London's stock market last week. Alcatel's results and the accompanying warning of sliding profits triggered alarm bells across all the big telecoms equipment manufacturers, not least GEC. That news, plus profit alerts from Shell, Bass and

In a rather sparse week for economic news the CBI's ptember survey of industrial trends will be scrutinised for more evidence of the effects of the emerging markets' crisis, and the strength of sterling, on UK manufacturing.

RMC, induced extreme

Three FTSE 100 constituents report this weak, Tesco, Sun Life and

Benchmark yield curve 7.75 **— 18/9/1998** _ ---- Month ego

yearn 20 25

5.25

FTSE All-Share Index 2340 11 14 15 16 17 18 Sep 1996

Diageo. The last-named has been the subject of a number of profit downgrades recently, as analysts fretted over falling sales in Asia. But what has been bad

news for equities has been good news for gilts, with the 10 year yield dipping to 5 per cent for the first time since March 1967 last week.

FRANKFURT

September 21 - September 27

By Andrew Fisher

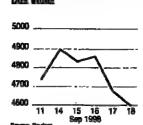
investors are likely to remain well under cover after the short-lived recovery in the German stock market was succeeded by a further bout of selling at the end of last week.

The Dax blue chip index again succumbed to fears that the financial crisis that has engulfed Asia, Russia and other emerging markets could develop into a full-scale global recession Also upsetting sentiment was the frustration of hones of an early cut in interest rates in the US and other leading industrialised

countries.

Landesbank Rheinland-Pfalz expects the German stock market to remain weak and volatile in coming veeks, with the Dax ranging between 4,500 and 5,100. On Friday, it closed at just over 4.620, having begun the year some 400 points lower and briefly edging above 6,000 in the summer. "It is certainly

Benchmark vield curve 5.25 ---- 18/9/1998 10 years 20 30



Traders were further disheartened by the fact that foreign investors continued to sell German shares, in spite of the declining levels of recent weeks.

The outlook is also clouded by uncertainty over the outcome of the German

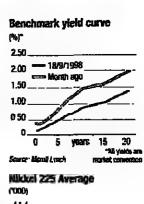
TOKYO By Alexandra Harney

Investor concerns about corporate profitability and uncertainty in the banking system will weigh on the market this week in Tokyo. Politicians reached a

last-minute compromise on plan to revitalise the troubled financial sector before Keizo Obuchi, the orime minister, left to meet Bill Clinton, US president. The market will be watching the results of this meeting and looking for more details on the financial reform plan this week.

The problems of the banking sector and a series of gloomy cornorate profits warnings but the equity markets last week, dragging the Nikkei 225 average to its owest in 12 years. The Nikkei rallied at the

end of the week amid reports that politicians were nearing a compromise on the financial reform plan, gaining 123.98 points or 0.9 per cent to 13,983.12 but still 244.25 points below its close on Monday.



11 14 15 16 17 18 Sep 1998

Bond yields plunged to record lows as investors switched out of equities on concerns about deteriorating corporate profitability.

The yield on the benchmark 182 10-year contract fell to 0.645 per cent before rising to 0.67 per cent at the close, 0.005 above the record low set on Thursday.

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Ente Nazionale Idrocarburi tive group, is expected to (ENT), the Italian energy report a first-half operating group, is expected to report a profit excluding insurance first-half net profit of activities of L1,5710bn L3,000bn-L3,420bn on Tues--L1,600bp on Tuesday, day, up from L2,620bn against L1.904bn a year earlier, AFX reports from Milan. Pre-tax profit will be (\$1.47bn) a year earlier, as extraordinary gains and strong earnings from gas L1,6370bn~L1,979bn compared with L2,263bn, ana-

are likely to offset heavy losses from exploration and production, analysts said, writes AFX in Milan. "Eni's first-half results will be a lot less dramatic ning profit margins in than those of its competitors such as Royal Dutch/Shell." said Angelo Imarigio, Uniprof oil analyst. Jeremy Hudson, analyst at Salomon Brothers, expects ENI to Auto profits. announce a first-half net

curring items, net will rise to only L3,030bn, against L2,670bn a year earlier. Mr Hudson said that while gins in emerging markets at the stock-market values" of small to medium-size oil groups with interest, he did tax profit to fall by 12.5 per not foresee it pursuing a bid for Enterprise Oil of the UK. "I would have thought [Enterprise] would be a bit beyond their reach as itwould leave debt levels

wants them," he said. Flat, the Italian automo-

to bolster results

Flat's results will give a clear indication of how thegroup's underlying performance has withstood thinemerging markets. Analysts agree that increased profits at Iveco and New Holland will not fully compensate an expected decline in Fiat Monica Bosio, Eptasim

profit of L3,420bn. However, analyst, forecast operating after stripping out non-reprofit excluding insurance of L1,571bn, out of sales of • The mild winter and Ms Bosio expects Flat pre-

~L2,400bn, against L1,830bn L21,300bn-L21,400bn, up higher than where ENI

ever, they said the market was expected to pay more attention to the group's proposed three to five-year business plan than its results, as they hoped to see details on the restructuring of the company's domestic business and clarification of the group's international strat-

Caboto SIM telecoms analyst, Deirdre Ernest, who expects a first-half net profit of L2,210bn on sales of L21,400bn, said she was especially interested in details of the restructuring of Telecom Italia's domestic business: "We have heard from union squrces that Telecom Italia and Telecom Italia Mobile plan to outsource their data processing units to the group's information technology unit, Finsiel, but we don't know how much Telecom Italia will pay in outacurcing costs."

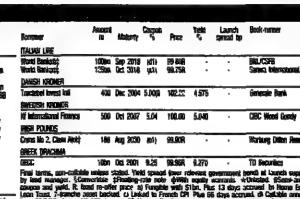
operating profits," she said. Mining, the UK coal production company which reports tomorrow, writes Martin of the share price will proba-Telecom Italia will next bly be decided by the result priday announce a first-half of the government's energy netprofit of L2,210bn review which is due to be announced at the end of the been reports that the governfrom L20,519bn, according to ment will press shead with telecommunications analysts its proposed moratorium on and fund managers. How- new gas-fired power stations

as part of its efforts to rm the electricity market and support the deep-mined coal industry, where up to 3,000 jobs are under threat. Analysts have pencilled in a 60 per cent fall in pre-tax profits to £35m (\$58m), and there may be a dividend cut.

 Tarmac said at its AGM in June that year-on-year price increases were being achieved. Analysis will be keen to hear tomorrow of any success in forcing prices higher across the industry, and of the need to update its US facilities. BT Alex Brown forecasts a 14 per cent advance in interim pre-tax profits to £44m. Chris Grant at the broker has told clients: "We believe further price increases and higher US construction spending offers a promising outlook."

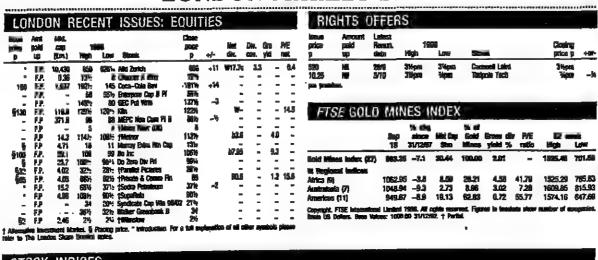
• The maiden full-year figures from Diageo on Thurs-day will probably be hurt by L47,280bn. "Flat Auto really increased generation of the strength of sterling and had to slash its profit mar- power by gas-fired power the financial crisis in Asia, stations will probably have which are expected to have hit pre-tex profits at RJB particularly affected its spirits business. However, the food side and its Guinness business may also have Brice.. The future direction suffered, although in a recent trading statement the company said beer sales continued their strong performance in North America with volumes up more than a year ago, and sales of month. There have already 20 per cent. A consensus from First Call suggests an underlying pre-tax figure of 21.9bn, a slight drop from £1.93bn last time.

general election taking place too early to sound the all-clear," the bank said. **NEW INTERNATIONAL BOND ISSUES** US DOLLARS World Banishi Rendendal Alig Sucs Add; European Invitrent Banishi European Invitrent Banishi ISW International Financepo European Invitrent Banishi FRENCH FRANCS Haraum Gháni Fun



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LONDON MARKET DATA



Sep 18 Sep 17 Sep 16 Sep 15 Sep 14 High Low High Low 5055.6 5132.9 5291.7 5281.7 5282.6 6178.0 5055.6 6178.0 5065.4 6627.3 5082.6 178.0 5055.6 5178.0 5065.6 6178.0 5065.0 5065.6 6178.0 5065.6 6178.0 5065.6 6178.0 5065.6 6178.0 5065.0 506 1155.62 1170.55 1160.86 1160.86 1677.11 1140.23 1677.11 1140.24 1677.11 1140.23 1677.11 1140.23 1677.11 1140.23 1677.11 1140.23 1677.11 1140.23 1677.11 1140.23 1677.11 1140.23 1677.16 1677.12 1677.16 1677.1 FISE 250 ex IT FISE 350 ex IT FISE 350 FISE SmallCap

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Documents size be obtained free of charge from the office of the Managing Director (Portret), Room 145, 101 De Korta Street, Brasimontein, Johannesburg 2001, South Africa.

This proposationses at 10:00 on Tuesday, 6 October 1998 and no proposals received lets will be accessioned.

For more information, please contact Mr Turbelo Robrette on telephone (+27+11) 242-4088, 1362(±27+11) 242-4194.

ECHES MANAGING DIRECTOR (PORTNET)



ROYAL BANK OF CANADA



Dividend No. 445 NOTICE IS HEREBY GIVEN THAT a dividend of 45 conts +16.5% per share upon the paid-up has been declared payable for the current quarter on and

close of business on October 26, 1998. By Order of the Board Jane E. Lawson Senior Vice-President & Secretar September 10, 1998

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Guilbert . BUSINESS AV BIV TUES & DESTRUS AT 1800 STINE 1998

of activities Turnover (Proforma)

in millions French (mancs)	ACTURA JUNE 1998	Prosonna June 1997	ACTUBILITIES TABLE
(urnover	3,210	2,755	2,726
Operating income	254	230	250
rofit after tax	171	145	164
Net result (Group share)	249	123	128
Group structure has progr	essed from 1997	to 1998 due to :	

> Entry of the Italian company Mondoffice acquired in December 1997 and fully

Growth of operating profit

+ 17.9%

Disposal in June 1998 of Avenir, holding company of the joint venture in J.M. Bruneau. The company is deconsolidated since the 1st January 1998. Due to the expansion of our activities outside of France (58% of turnover) the comparison of results is more meaningful using proforms accounts at constant Group structure, exchange rate and 1998 accounting policies. Turnover reached 3.210 millions French francs thanks to sustained growth throughout

the Group. France and the United Kingdom (89% of turnover) have progressed 17% and 14.1% respectively, the rest of Europe has progressed by 25.4% Operating profit reached 254 millions French francs, 10.4% increase over

Profit after tax of 171 millions French francs has increased by 17.9% compared with prior year proforma profit of 145 millions French francs. Net profit before amortization of goodwill attained 273 millions French francs, this includes the 112 millions French francs impact on disposal of Avenir (holding

198 MFRF **8.1% share**

company of J.M. Bruneau). The net result -Group share- of 249 millions French francs Includes depreciation of purchased goodwill over 40 years rather than 20 years as accounted previously.

July and August 1998 results are on line with those of the first half year. Thus, holder's equity 1998 should confirm the good trend already recorded in the first half year.

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A le dissidi today Hanoi lohn isple isple /este ind sind in its interest in its in it gh m nux h

Panic might ease

By Simon Kuper

which dragged down most Street and thus the dollar. other emerging market currencies in its wake. The tur-moil hit western stock mar-tional Monetary Fund and most hit western stock mar-kets, which had long been seen as overvalued anyway. In the middle of it all, Ken-

Bill Clinton of perjury and called for him to be through Venezuela to Thai-impeached. Traders have land have found recently. hardly had a quiet night in weeks. Markets have occa-that the Federal Reserve sionally rallied, but never held on to their gains.

questions: will the west help save Brazil. and with it most of Latin America, from devaluation? Will President week of data on economic Clinton survive? And will growth, which would reveal the US cut interest rates to

The president's future looks brighter than it did a It is now just over a month since the global market crisis was sparked by a letter to the Financial Times from George Soros, the hedge today, but most of the public fund manager, who called on Russia to devalue. seems to want him to stay in office. A fading of the uncer-That doomed the rouble, tainty should help Wall

> The Brazilian question western governments are clearly trying to find support for the Real but a currency can collapse very quickly, as countries from Russia

span, Fed chairman, said The question this week is there was no concerted interwhether the panic will start national plan to loosen monto ease. It depends on three etary policy but he also said

whether or not the world is

m. 18		Cleans	Conne	Britistier	Bug's		Other in	-	There		Die 10		the state
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emen.	(Dia)	10.8679	+6 0455	633 - 725	10.8729	10.8329	12,8450	28	10,2151	19	18,6385	1.7	18
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ortugal	(Est)	292,120		BR - 20	202,472	221.338	291,264	3.0	380 842	31	283.260	38	
cain	Plas	242,209		100 - 25	242.490	241,100	241.645	21	310,405	30	25,155	210	7
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ineda	(CS)	2.5755		744 - 756	2.5836	2.5966	2.5719	2,7	2,5844	1.7	2.536	3.5	7
lence	Steam Pessal	17.1328		071 - 504	17.7350	16.9719	17.6507	-36.6	18.707	-368	23,2412	-257	
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	(1)	223,817	+0.61	715 - 919	224.130	720,600	222,422	72	219,852	7.1	203.387	5,4	114
laize sia	MS.	6,4032	-0.0101	015 - 048	6.4075	6.3761	-	-	-		-		
ew Zeoland	PIZS	1.3357	+0.019	325 - 389	33416	3.3022	3,3398	1,8	3.775	1,8	3.3067	1.5	80
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aud Arabin	(SPI)	8.3202		101 - 20	6.00	6.2937	8,3159	8.5	6.3053	5.0	6.2776	0.7	
Ingapore	(54)	2.9025		000 - 000	2.9076	2,8852	2,8965	25	2,0063	2.2	2.8518	1.7	
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CURRENCIES & MONEY

11.9410 35.0106 8.4600 5.6074 1.6076 1.403 1977.00 15.010 1.975 1. 11.844 34.7265 6.4476 5.56441 1.8829 296.18 1.4726 16688.49 34.7265 172.795 143.328 7.818 1.8775 1.1657 11.8512. 34.8332. 5.4627. 5.6619. 1.5585. 392.51. 1.9763. 7.5140. 1.9041. 7.5140. 1.43.615. 7.8338. 1.3981. 1.8928. 1.1851. 34,0580 8,400 5,145 1,6580 1,6580 1,4765 1689,30 24,5580 1,9488 173,729 143,486 7,2913 1,8577 1,1515 1,6078 7,7492 42,5320 11700.00 3,8538 133,000 1,9681 44,1900 2,7908 1,7295 6,1700 1382,00 34,5530 41,5500 1,6821 7,7460 42,5140 1,000,00 1,0019 1,0019 1,0019 43,7900 3,7905 1,7140 8,1950 1,384,00 3,45230 40,6200 1.9027 44.27 3.7537 1.7215 6.2255 1,9861 44,982 1,750 1,7208 6,3863 84,771 41,34

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rpace -	32	34	35 37 34 34 54	33	34	4.60	-	1.30
Water Street	39	3.	37	314	35	4.80	_	3.30
епрапу	314	3 <u>1</u>	34	31/2	82	4,50	2.50	3.30
Weslando	32	35	38	35	35	4.50	2.50	3.30
reland .	67	67	54	450	414	_	-	5.19
weekago	6 <u>4</u>	84	2.6	4%	46	-	_	5.19
inity .	42	48	4%	42		6.50	5.00	5.73
WESTERN	5 <u>1</u>	51	4	42	34	8.50	5.00	524
letherlands	23	314	710	33	37	-	2.75	3.30
weekzgo	34	34	3 <u>8</u> 18	374	344	-	2.75	3.30
hylizer lappi	1	18	12	116	15	-	1.00	-
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I LINCK HEAL	ondon.							
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6 Dollar COs	_	5.33	5.29	5.22	5.09	-	_	-
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CO the of Oa	-	41	4%	35	200	-	=	_
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■ PO	UND IN N	EW YORK
Sep 15	Closes	Prev. close
39Q8 3	1 6615	7 6675
ii (min	1.6791	1.6790

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		DOLLAR (M			•		
	Conn	Call annua	Charges.	Mark	l need	Charles and	Comm. Int.
Page 1	Open	Sett price	Change	High Na. 70	LUM 84 74	Est. vol	Open Jol.
	94.75	94.76	-0.01	IN/II	94,74	132,113	487,057
Mar.	-		-0.01	IN/II	94,74		487,057 481,885
Mar Jun	94.73 95.01 95.08	94.76 95.03	+0.01 +0.02 +0.05	95,05 95,12	94,74 95.00	132,113 136,195	487,057 481,885
Asr Jun III (III TAS	94.73 95.01 95.08	94.76 95.03 95.12	+0.01 +0.02 +0.05	95,05 95,12	94,74 95.00	132,113 136,195	487,057 481,885
Dec Mar Jun pr US TRE Dec Mar	94.75 95.01 95.08 MILIT MILL	94.76 15.03 95.12 PVILITES (M	+0.01 +0.02 +0.05	95.05 95.12 1075	94,74 95.00 95.06	132,113 136,195 77,320	467,057 461,865 189,218

왕·왕 왕·왕 왕·왕

OTHER	CURR	ENCIES	
18	E	\$	BANK RETARK
ct 80 52 345	2 . 50 394	7 37.6140 - 31.6440	

EURO CURRENCY INTEREST RATES

Sep	18	MRr .	(M)	Pir	200		L	R	NA.	-	Pila	36	877	£	28		Y	20
		_		16.25	4,847	1,937	4790	5,466	21.49	496.7	411.9	22.47	3.957	1.700	4,380	2,865	380.5	2.4
helgham.	(Birty)	100	18,48	1,754	7.600	1,046	2592	2.958	11.63	268.6	222.9	1218	2157	0.920	2.370	1.550	205.9	1.3
Jermark	(DIX)	54.11			2.982	1,192		3,363	13.22	305.7	253.4	13.83	2.455	1.046	2.695	1.700	234.2	1.5
Jance	(FF)	· \$1.53	11.37	10		0.400	968.2	1,128	4.433	102.5	84.98	4,038	0.823	5.351	0.904	0.597	78.52	0.5
MILTIN	(DM)	20.63	3.813	7757	1			2.021	11.09	256.4	212.6	11,60	2.058	0.678	2.261	1.479	155.7	1.2
referred	(12)	51.62	9.539	8.389	2.802	1	2472	0.114	0.449	10.37	6.599	0.489	0.063	0.035	0.091	0.060	7.945	0.0
mly .	(1)	2.088	0.386	0.339	0.101	0,040			3.931	96.87	75.35	4.113	0.72	0.311	0.801	0.524	69.63	0.4
etalenis	P	18.29	3.381	2.973	0.867	0.354	875.2	7000	10	231.2	191.7	10.46	1,800	0.791	2.038	1.234	177.7	1.1
CLANSA.	(980)	46.54	8,601	7.564	2.256	0.902	2229 964.2	1,100	4.326	100	12.91	4.523	0.803	0.342	0.882	0.577	78.82	0.4
petragal	(Es)	20,13	8.790	3.272	0.976	0.390					100	5.455	0.968	0.413	1.053	0.696	92,41	0.5
perta	(Plat)	24.28	4.467	1.046	1.177	0.478	1153	1.327	5.217	120.6	188.3	19	1.774	9.757	1.949	1.275	169,4	1.0
meden.	(SK1)	WALES	8-225	7,333	2.157	0,382		2.400	9,583	221.7	100.5	5,836	1	0.427	1.099	0.719	95.46	0.8
wkarrland	(SF1)	25.00	4.835	4.076	7.216	0.486	1201	1.071	5.300	126.6	242.2	13.21	2345	1	2.576	1,685	223.5	1,4
K	(E)	58.81	10.87	0.500	5.500	1.139	3517	2.915	12.64	292.1			0.910	0.388	1	0.854	86.90	0.4
anade. '		22.83	4.220	3.711	1.107	0.442	1094	1.248	4.90%	113.4	94.04	5.130			1,529	1	132.8	0.8
DA.	(3)	34.90	8.450	3.572	1,892	0.576	1672	1.966	7.45	173.4	143.7	7,842	1.391	9.583		0.753	100	0.5
400	m	26.28	4,256	4.270	1.273	0.509	1254	1.436	5.546	139.5	108.2	5,904	1.045	0.447	1.151	1.182	154.3	4.6
20	-	40.55	7.493	6.500	1,555	0.786	INC	2.216	8.712	201.4	167.0	8.110	1.817	0,689	1.776	1.102	1944	
sel-time, f	main franc,	Marriagian Sing	net, and then	and House y	nr 14; Sei	jan Fryst,	Yes, Growin	. Use und for	pit per tipl	L.								
D-MANK	Vivies (DBA) DM 12	5,000 per	MG						- 1110 6	m = 18	OFFICE	CH 340	(Carris per	colonia			
	Open	Selt paice	Change	High	i i	-	Est.vef	Open Int.		_		_	_		-			
	0.5841	0.5926	-0.0024	_		2006	34,967	147,591	Sirk				115	- Charles			m	- View
	-	8.5949	-0.0030			200	9	175	Price		Oct		09	Dec	9ct		DIF.	Dec
_	_	0.5971	-0.0020			1045	æ	146	1.0		1.00		20	251	7.65	2.		250
	-				-		_		1.896	1	1.22	1.	73	•	2.23	2.	100	-

Jan .	_	0.5971	-0.0020	754	0.5965	4	146
ill Suns	FRANC PARTY	MES (MAA S	Pr 125,000 (ner SFr			
Dec Her Jen	6.7289 - -	0.7241 0.7365 0.7362	-0.0037 -0.0037 -0.0637	0.7202	0.7227 0.7315	16,474 17 2	65,055 110 3
B JAPA	NESTE YEST FUT	INES (MAI)	Yon 12,5m p	er Yen 100			
	Open	Sett price	Change	High	Low	Estapl	101
Dec	0.7466	5.752	-0.0029	0.7725	9.7610	24,865	74,983
Mir	0.7760	0.7736	-0.0029	E.77913	8.7715	31	2,074
.ion	0.7850	0.7831	-0.0029	C.7860	0.7850	-	605
IL STEN	JUN FUTURES	(MA) 982.5	00 per 2				
ðес	1,6280	1.6756	+0.0002	1.6796	1,8790	8,017	90,937
-							

74,962 2,074	8.39E 0.39C 0.895 Parties (4y/1	1.28 0.97 0.71 101, Call 39 Pag 2	1.57 1.27 1.01 1.01 8 Pen. day	. 1,77 1,45 1,23 gree Int., Cal	0,46 0,66 0,90 1,395 Pun
	BENCH	MARK G	OVERN	MENT	BOND
90,937	Sep 16	Fied Data	Compan	Bud Blo Price Yiel	Day ch d yield
	2,074	74,962 0,985 2,074 0,985 BENCH	74.962 0.500 0.577 74.962 0.505 0.771 74.962 0.771	74.962 0.000 0.27 1.27 1.27 1.20 0.000 0.71 1.07 1.07 1.07 1.07 1.07 1.	74.962 0.885 0.27 1.27 1.65 1.20 2.005 0.885 0.27 1.27 1.07 1.22 1.20 1.00 0.885 0.27 1.27 1.07 1.22 1.00 0.885 0.27 1.07 1.22 1.00 0.885 0.27 1.00 0.80 0.00 0.00 0.00 0.00 0.00 0.00









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Interbent Staffing Staffing CDs Processry Bibb Bank Bibb Local authority deps. Discount Market deps	79t - 7 - - 7 - 68t 79t - 796	7% - 7% 7% - 7% 7% - 7%	74 - 74 75 - 75 76 - 74 75 - 74 74 - 74	76 - 74 78 - 73 73 - 74 74 - 74 74 - 74	74 - 74 74 - 75 76 - 76 74 - 74	74 - 68 76 - 74
UK clearing hank have in		Up to 1 month	1-3 2001th	3-6 manus	6-9 months	R-172 months
Corts of Yest step sender 201 Ant. Sender pale of discount 1994. Agreed sales for parke	6,000 to 4pc, 6 our Sep 4, 7,00 5 Sep 23, 1986	19 Oct 25, 19	and rate Sig. 91, Scheme II	Estat Pleate (J.Bilgo, Rates	ance nate for	
Certs of Tax dep. (E1 Gris of Tax dep wider S1 And Linder call of discount 1991. Apreciate it is not 1991. Apreciate it is not 1991. Apreciate it is not 1991. Sch. BANK OF EI	16,000 to 4pc. 5 no Sep 4, 7,00 s Sep 23, 1906 note 16 6, Y 7.3	194pc. 2050 1 10 Oct 25, 19 74Opc. Finance	iard sale Sig. 98, Schecce II)/Coulo Chee (Espait Pingate (J.186ps. Paden Padr Ajns Brown	ence nate for Sep 1, 1860.	jareit Aug 1 SPT

	96		%		
Adem & Company	7.50	Emp? Trust Limited	8.50	Smith & Williamson	7.
Allied Instrict Benk (GB)	7.50	Progress & Copy Black	8,00	Sen Back	7.
Milenry Angbecher	7.50	@Robert Fleming & Ot	7.50	78B	7.
Benco Elibero Vizcine	7.50	Habito Stank AG Zuntch	7.50	United Blank of Kounti	7.
Sent of Cyprus	7.50	Hemstole & Class have the	47.50	Unity Trust Bank Pic	73
Bank of trained	7.25	C, Houve & Co	7.50	William Ty Lakeny	73
Sack of India	7.50	OH Igmoros Bank	7.50	Yorketide Bank	7.
Bursk of Scorland	7.50	Hoopitong & Strengthe	75		
Barcine Bank	7.50	Immediac Burst: (UK) Lis	17.50	 Management Combine 	a.
		Julian Hodge Bank	7.50	Investment Bestein	1
Nek Bit of NGd East	7.50	Glaspoti Justinik & Street	7.50	Association	
#Brown Stapley & Co Li		Lloyds Bunk	7.90		
GREDBIJK NA	7,50	Mildland Bank	7.50		
Clyclesdele Blank		Place of substitution of	7.50		
The Co-operative But	17 SQ	GReat Brothers	7.50		
COURS & Co	7.50	Royal Elt of Scotland	7.50		
Cyprus Popular Bank	7.50	Southern Wildows Bents	7.50		
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UK GILTS PRICES

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Party I	81/00	4.000	100.5200	3.57	+0.02	+0.06		_
	04/08	7.500	120,9600	3.89	+0.01	+0.02		-
	94/08	5.250	100,8600	4.11	_	-5.00		-
	04/29	3.500	109,8500	4.86	-0.01	-0.09	_	_
Contracting to the Contracting	99400	4.000	100,7100	1.00	+0.06	+0.12		-
	10/05	8.500	115,2600	5.95	+0.02	+0.02		-
	91/08	8.250	100,4500	3.96	-	-0.05		-
	如穆	5,625	112.2100	4.84	-0.02	-0.09	-0.29	_
instant	10/01	8,500	107,2500	3.95	+0.04	H0.13	-0.30	-
	1000	6,000	112,9390	4.36	+0.02	-0.03	-0.3	_
listy	04/01	4,500	101,4200	3.90	+0.03	+0,09	-0.31	-
	· 95/03	4,750	102,8000	4.08	+0.03	+0.09		-
	96/08	\$.000	104,8500	4.39	+0.07	-0.05		-
	11/22	8,508	118.6790	5.24	-8.0	-0.04	-0.00	_
Appen magain	\$3/00	6,400	109,1200	0.25	+0.02	+6 02	-0.21	-
	26/03	4,500	118,4500	0.55	+0.01	-0.05		-
	29/05	3,000	115.5500	4.73	-0.01	-0.13		-
	(T2/18	2700	122.1400	1.40	-0.02	-0.16		-
National S	(5/00	8,000	108.2500	3.64	+0.06	+0.17		-
	97/08	5,250	108.9100	4.12	+0.01	-0.08	-0.48	-
Non Zeelend	02/01	8.00G	104.4646	5.81	-0.02	+0.02		-
	11/00	8,000	113.5254	8.87	-0,11	-0.18	-0.34	-
Name of Street,	(F) (F)	9,000	100,2560	7,79		-0.07	+1.76	+
	@1 <i>807</i>	8,750	109,7500	5.41			+0.01	-
Pertugal:	03/00	3,375	102,5300	3.50	+0.03	+0.00	-0.47	_
	06/08	5.175	107,5300	4.30	+0.01	-0.07		_
Specie .	04/00	5,790	TIMESTOO	1.68	+0.03	+0.05	-0.31	_
	Q1/08	5,000	111.9800	4.43	+0.03	-0.94		_
Dandes	06/00	10,250	109,0370	4.28	+0.02	+0.08		8
	05/08	E.500	113.4330	4.72	-4.02	+0.01	-0.06	-
and the state of	89/00	5,000	104,9900	1.54	+8.01	+0.02		
	96/07	4.800	113.8800	2.69	+0.02	+0.07	-0.10	-
K	11/01	7.000	109,7734	5.88	+0.02	-6.11	-0.72	
	12/03	5.500	105,7188	5.2Å	+0.02	-0.11		_
	1207	7.250	116.8454	4.97	+0.01	-0.76		
	12/28	6.000	177,125	4.74	_	-0.18		-
15	05/00	5.500	101,2500	421	-0.04	-0.03		
	05/03	5,500	103.6563	4.81	-0.08	-0.11	-0.79	
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	11/27	5,125	113.0313	5.25	-0.03	-0.06		
ČC8	97/06	4,000	100,5200	3.59	+0.02	+0.08	-0.28	7
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Focus turns to German polls

EUROPEAN OVERVIEW By Martin Dickson,

Financial Editor European equities will remain battered this week by mounting concern over a global economic slowdown

that will impinge heavily on the financial markets. Tuesday's meeting of President Bill Clinton of the US and Japan's prime minister Keizo Obuchi may throw further light on the steps Tokyo, pressed by America, is prepared to take to revive its economy and rescue the

FTSE Eurotop 300 Euroblec

IN TRIBES MONTH EURO FUTURES (LEFE) Ecution points of 100%

OTHER INDICES

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federal elections. Voters go to the polls on Sunday.

Markets may also be more for European corporate profand by a political calendar its: last week delivered several blows to the widespread belief that "fortress Europe" would maintain growth rather than later. The lon-despite global economic ger the convergence of cenupheaval, with both Royal Dutch/Shell and Alcatel delivering gloomy trading the end of the year or the

Nevertheless, Hans Tiet-meyer the Bundesbank president, said on Friday there shows that forward 32.11 points

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2621.30 2664.21 2666.87 3676.89 2781.80 2636.22 2871.83 3666.48 04 1037.84 1078.17 1316.56

At home, European attention will be focused on the last week of campaigning in worldwide deflation, and est rate differentials for "in" Germany's closely fought Japan held the key to the development of the world

> union that they should start ger the convergence of cen-tral bank rates is delayed,

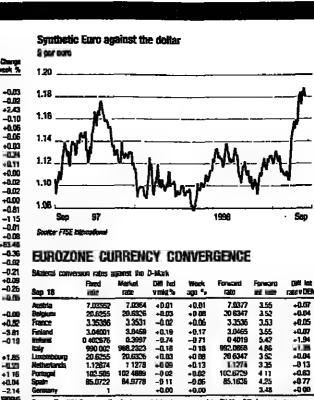
last minute. the larger the steps taken at start of next year will be."

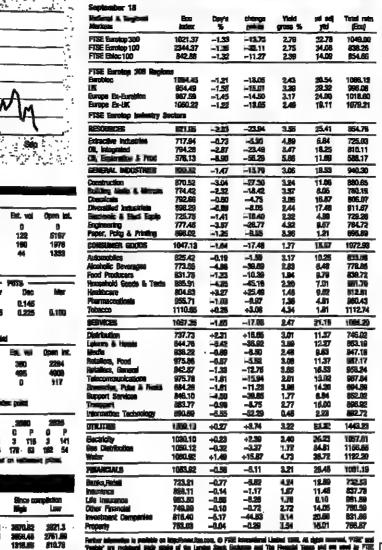
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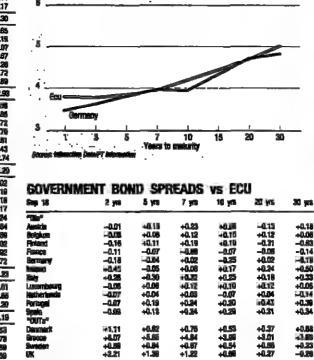
countries at the end of the year, with German short rates at around 3.48, com-He also warned countries pared to around 4.87 for Italy nervous about the outlook participating in European and 5.31 for Ireland. But for European corporate professional and monetary many analysis expect central banks outside the core taking steps towards interest D-Mark currency bloc to rate convergence sooner leave convergence until the leave convergence until the

r 1SE Eurotop 300 index of leading European shares Senter and the day at 1021.87, while the narrower FTSE Eurotop 100 index closed at 2344.37. down The FT's euro-zone cur-rency convergence table index closed at 2844.37, down

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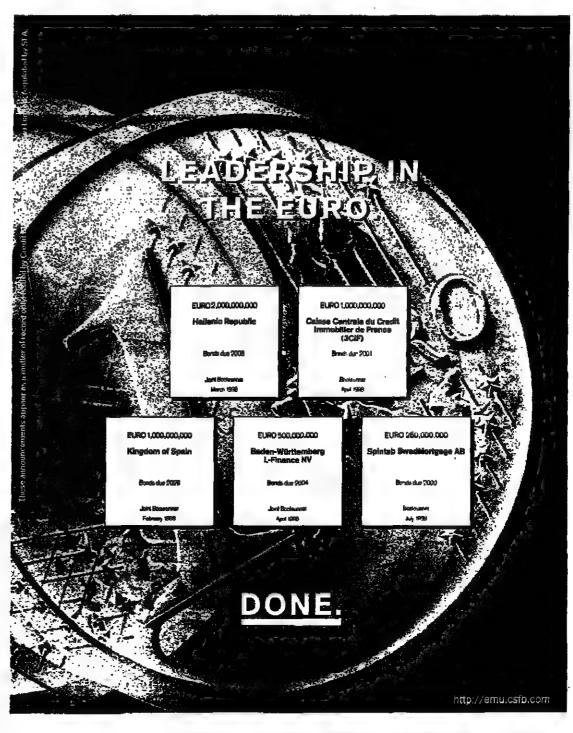
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These transactions demonstrate how our expertise in international capital raising benefits our clients. The quality of our research and multi-currency execution capabilities position us at the forefront of the EURO market, whether for a debut issue, or the longest ever issue, or an innovative floating rate structure. It's what our clients across the globe have come to expect in the EURO market from Credit Suisse First Boston.

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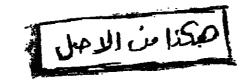
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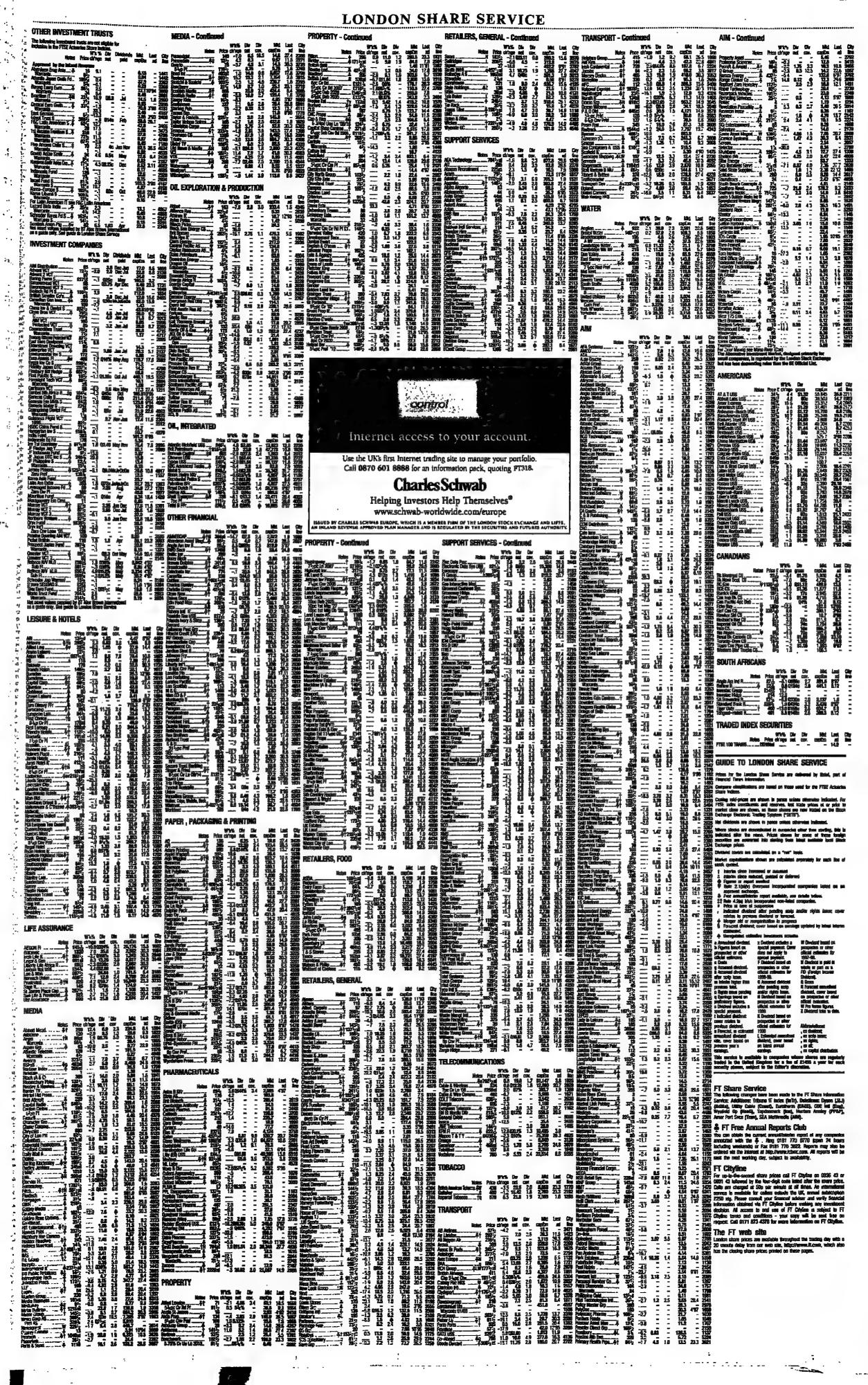
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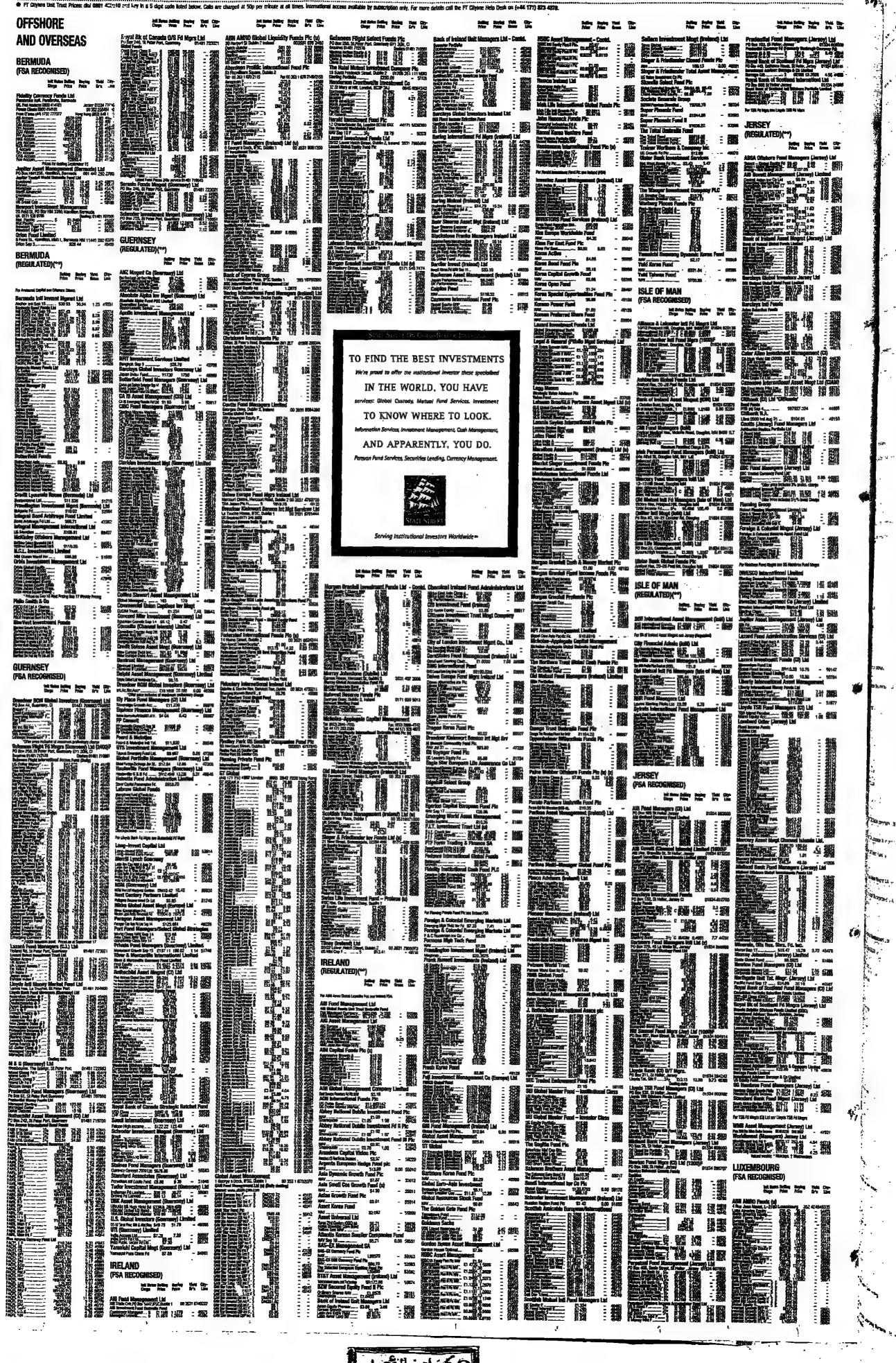
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EUROBENCH° "INSECTS°" INDICES

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FT GUIDE TO THE WEEK

FINANCIAL TRATOL OF MONTH

MONDAY 21

Progress reports

The United Nations committee on the rights of the child begins a three-week session in Geneva to examine states' compliance with the UN convention on children's rights. The 1989 convention has 191 members, more than any other human rights convention, with only the US and Somalia failing to ratify. The five countries whose reports will be examined this session are Ecuador, Iraq, Bolivia, Kuwait and

EU-ACP discussions

The European Parliament and African, Caribbean and Pacific countries hold a joint assembly in Brussels which will discuss subjects including fisheries, the effects of the single currency, debt, education and training, health, environment and biodiversity. biotechnology and post-conflict

UN reassembly

The United Nations General Assembly is scheduled to start its general debate, in which foreign ministers and other senior officials deliver policy

Holidays

Armenia, Malta, Israel.

TUESDAY 22

IT Jobs gap

High unemployment is one of Europe's biggest problems, yet tens of thousands of jobs in the information technology sector remain unfilled because of a shortage of skilled workers. Dr Martin Bangemann, European commissioner for IT and



Padraig Flynn, employment commissioner, address the problem in a meeting hosted by Microsoft in Brussels with 200 senior representatives of IT companies, national governments, think tanks and

Obuchi meets Clinton

Keizo Obuchi, Japan's prime minister, meets Bill Clinton, the US president, in New York. The two will exchange views on Japan's economic revitalisation policy, the international economic situation, and Japan-US security ties. Mr Obuchi will be able brief Mr Clinton on Japan's recent progress towards a final agreement over a set of banking bills to stabilise its financial industry.

Helmut Kohl, German chancellor for the past 16 years, faces the most serious challenge yet to his leadership, from Gerhard Schröder's Social Democrata, in Sunday's election

Trade disputes The dispute settlement body of the World Trade Organisation meets in Geneva. Among high-profile disputes on the agenda are requests by Japan and the European Union for a panel to investigate sanctions imposed by the US state of Massachusetts on companies doing business with Burma. The US and five Latin American banana producers also want a panel to examine EU proposals for reforming its

Church birthday

The Geneva-based World Council of Churches celebrates its 50th anniversary. Participants in the official ceremony, whose theme is "Justice and human rights in the 21st century", nclude Swiss president Flavio Cotti, Sadako Ogata, UN High Commissioner for Refugees, and Archbishop Desmond Tutu of South Africa.

Fixed income facts

Paul Mortimer-Lee, chief economist of Paribas Capital Markets and David Levey, managing director and co-head of the Sovereign Risk Unit at Moody's investors Service are among speakers at a two-day London conference on international fixed income markets.

FT Survey Ireland.

Holiday

benana import regime.

WEDNESDAY 23

Talking business

The International Chamber of Commerce holds a two-day meeting in Geneva at which business executives and heads of internations organisations will discuss the management of globalisation in the light of the financial crisis and fears of world recession. The meeting, termed the Geneva Business Dialogue, stems from a call by UN secretary-general Kofi Annan for a closer partnership between the UN system and the privata sector.

FT Surveys

FT Exporter (UK and European editions only); Office for the Future.

Holiday

THURSDAY 24

Jobs crisis

0.7%

The International Labour Organisation publishes its latest World Employment

-0.1%

Statistics to be released this week

∴Fri -

Report. The iLO says economic growth since 1996 has failed to make a dent in joblessness, while the crisis in east Asia has thrown millions more out of work. The ILO emphasises the importance of training in helping vulnerable groups including the young, unskilled workers, disabled people and

FSA explains itself

Britain's Financial Services Authority, which under new legislation will take over the work of nine existing financial sector regulators, holds a conference to explain to the financial services industry how it intends to fulfil its statutory objectives covering market confidence, consumer awareness and protection, and the reduction of financial crime. FSA chairman Howard Davies and Stephen Byers, chief secretary to the Treasury, are among speakers at the conference. Contact 01483 720 707.

WTO plans ahead

The World Trade Organisation in Geneva holds a special general council meeting to begin preparations for its next ministerial meeting in 1999 which will launch new global trade talks. The ministerial meeting, to be held late next year in the US, will have to decide Auediel to sod mole. already programmed talks on agriculture and services, and whether to have a single "round" or more staggered negotiations. Today's

general council meeting will also discuss a WTO work programme on electronic commerce over the coming

Holidays South Africa, Spain.

FRIDAY 25

Slovaks go to vote

Slovaks go to the polls today and tomorrow in an election that could see the first defeat of prime minister Vladimir Meclar since the fall of communism in 1989. The last opinion poll gave the combined opposition, which has agreed to co-operate, around 60 per cent of the vote against 34 per cent for the governing coalition. Opposition parties have complained of bias on the state-run TV and radio stations and have also said they will run their own election count to ensure there is no fraud.

Financial problems

Actival

0,0%

World financial problems will dominate discussions when European Union finance ministers gather in Vienna for a two-day "Informal" meeting. Rudolf holder of the rotating EU presidency, will update ministers on developments in Russia following a planned visit there during the week.

FT Survey

Brazilian Finance and Investment

The said of the said

SATURDAY 26

Chess in a mess

The controversial 33rd World Chess. Olympiad for men's and women's teams opens at Elista, capital of Kalmykia, a semi-autonomous Russian republic near the Caspian Sea. It is the brainchild of Kirsan Ilyumzhinov, president of both Kalmykia and of the international Chess Federation, who



2.

Next week

A SEC SECOND ON SHIP

Date of the

Sec. 1

Competitive analysis

WIRE O MAY

expects to house nearly 200 teams in a specially constructed Chess City until the tournament ends on October 13. The murder of a journalist, reports that Chess City is only partly built and the republic's dispute with Moscow over unpaid taxes have tarnished the event's credibility, and several grandmasters have withdrawn.

Holiday Matta.

SUNDAY 27

Kohl's crossroads Germany votes to decide its government for the next four years. After 16 years as chancellor, Helmut Kohi is fighting for re-election against a strong challenge from Gerhard Schröder, the Social Democratic candidate. Opinion polls have put Mr Schröder ahead but in Bavaria's state elections earlier this month pre-poll projections proved inaccurate. Mr Schröder has paid tribute to Mr Kohi's past achievements, but says the chancellor has been in office too long. Germany's electoral system, however, means Mr. Schröder would almost certainly have to form a coalition, with the environmental Green party - or even with Mr Kohi's Christian Democrats. Mr Kohi's fate could be decided by the results of other small parties besides the Greens.

Party problems

The leadership of Britain's Labour party could face a setback at the start of its annual conference in Blackpool If, as feared, a number of leftwing candidates win places on the ruling national executive committee. The leadership is also likely to face a rough ride over the government's handling of the economy and electoral reform. But should limit public rows.

Compiled by Roger Beals Fax 44 171 873 3196

ECONOMIC DIARY Financial Times Surveys

-0.5%

Other economic news

Monday: Japan's trade figures for August should continue to show modest export growth, as strong demand from Europe offsets the drop in shipments to Asia. The trade surplus is expected to decline, but the surplus remains high. Tuesday: The French trade surplus for July is likely to fall to around FFr14bn after June's FFr15bn surplus - taking it into line with the average surplus for the last six months. Thursday: The UK's national accounts are rebased from 1990 to 1995 prices for the first time, with the publication of the final estimate of second quarter GDP. The European System of Accounting is also being adopted. The new accounts entall wide-scale changes to the definition of many data

Friday: US personal consumption and income figures for August are August retail sales suggesting that consumption may be slightly weaker. But annual growth in incomes and consumption is expected to be around 5 per

Sep 21% say. C22 gross comestic product. 1.376 2.5	Sep 20 Japan Sep constructions to parasimose, 1039 1019
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ACROSS 1, 4 It took a lot of capital in

- 1696 (4.2.6)

 8 In script I'd even mentioned turbulent water (7)

 9 is to take dead duck into
- 11 Yet hissing contraption should ensure cleanliness
- 12 Working with newspaper round water container (4) 13 George wants a popular
- careal (5)
 14 Fail to notice finished appearance (8)
 16 Next time Jack takes a little US money (8) 18 Brute mashing potato, for
- 24 Prisoner only after comfort
- (7)
 25 Girl following sailor coming back sooner (6)
 28 Something left in clay mixture, for example (6)

1, 13 Pretty student omitted to sponsor pantomime character (5,9)

1 1 H US 1 1

- Picking up ruler stain dress with wine (7) 8 Regulation for weapons I
- 5 is after love when with a group of singers (5)
 6 Blue party fell out about union leader (7)
 7, 22 There's none you'll try on, perhaps? No way! (3,2.4.5)
- 10 Guarding car in top garage
- 18 Brute mashing potato, for instance? (5)
 20 Besides, has died during the commotion (2-2)
 21 Call on nine cooks to make something to eat (10)
 22 Clears takes home shout the commotion (2-2)

 21 Call on nine cooks to make something to eat (10)

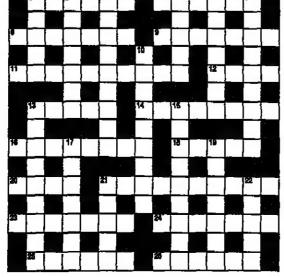
 23 Cleaner takes home about £1,000, causing annoyance

 takes a little time (7)

 19 Label is half hidden in a sort of beacon (7)

 21 Top Californian fruit region (5)

22 See 7 down



MONDAY PRIZE CROSSWORD

No.9,792 Set by GRIFFIN A prize of a Tombow Lucca fountain pen and rollerball set, worth £125, will be awarded for the first correct solution opened. Solutions by Thursday October 1, marked Monday Crossword 8,782 on the envelope, to the Financial Times, 1 Southwark Bridge, London SEI 9HL Solution on Monday October 5. Please allow 28 days for delivery of prizes.

Solution 9,780



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Actuarial Services Wednesday October 14 For further information please contact: Derek van Tienen Tel: +44 1442 843300 Fax: +44 1442 843123 email: 106160.1661@compuserve.com or Tracey Endacott in London Tel: +44 171 873 4356

Fax: +44 171 873 4862 email: tracey.endacott@FT.com

FINANCIAL TIMES No FT, no comment.

JOTTER PAD